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The COMMERCIAL and FINANCIAL CHRONICLE

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Government Controls Undermine Common Stocks as Inflation Hedge

By HOWARD F. VULTEE
Vice-President, The Marine Midland Trust Co. of N. Y.

Bank investment authority, pointing out amazing similarities between techniques of great European inflations and American developments in last decade, shows Germany's imposition of state controls rendered investors unable to protect themselves. Tracing 10-year abortive results from typical fund diversifiedly-invested in U.S., Mr. Vultee concludes the investor is the real "forgotten man."

Inflations are old stories to the world. Detailed knowledge of major inflations is of doubtful value to today's investor because each inflation varies radically as to cause, form, and degree. However, they do have certain common characteristics that are interesting. They usually come out of periods of economic stress; they fail to accomplish their objectives and usually bring drastic political and social repercussions with them. Certain phases of several of these great inflations are so similar to developments of the last decade or so in the United States that they deserve special comment. The following quotation is a case in point:

Howard F. Vultee

"The vast reforms of that period, though a lasting blessing politically, were a temporary evil financially. There was a general want of confidence in business circles; capital had shown its proverbial timidity by retiring out of

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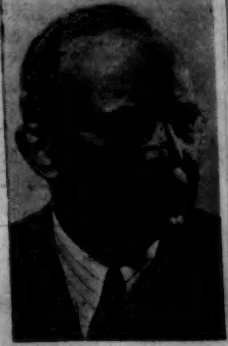
Inflation, Interest Rate and Public Debt Management

By BENJAMIN M. ANDERSON*

Dr. Anderson traces commodity prices and forced wage increases since 1939 and contends in monetary sense, inflation has proceeded further in recent years than after World War I. Holds absurdly low interest rates maintained by Federal Reserve is gravest danger in present situation and attacks Federal Reserve postwar monetary policy. Advocates restoration of full gold standard and refunding of public debt and says matter is complicated by Bretton Woods Agreements. Concludes both a strong dollar and strong Treasury are essential whether we have peace or war.

The word "inflation" has so many different meanings that it is not a good scientific term. One uses it with reluctance. But here are some phenomena to which the term inflation would rather generally be applied. Between 1939 and March 29, 1947, commodity prices at wholesale rose, according to the index number of the Bureau of Labor Statistics, from 77.1 to 149.4, an increase of 93.7%. From January, 1946, to March 29, 1947, the increase was from 107.1 to 149.4. Finally from December, 1946, to March 29, 1947, the increase was from 140.9 to 149.4. The increase in the cost of living from the 1939 figure to February, 1947, was from 99.4 to 152.8, an increase of 53%.



Benj. M. Anderson

Since the middle of March there have been sharp reactions in the most sensitive prices at wholesale, notably wheat and hogs. An index of prices of 31 foods dropped 10% from March 18 to April 29.

Money, Bank Deposits and Public Debt

Money in circulation in the United States, which stood at $7 billion in 1939, has risen to $28 billion in 1947. The demand deposits plus Government deposits in the commercial banks of the United States, which stood at $28,695,000,000 in 1939, stood on Dec. 31, 1946 at $92½ billion. The public debt of the

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An address by Dr. Anderson before the California Bankers Association, San Diego, Calif., May 27, 1947. (Dr. Anderson is Connell Professor of Banking, University of California at Los Angeles; he is President of the Economists' National Committee on Monetary Policy; he is Consulting Economist of the Capital Research Co., Los Angeles; he was formerly Economist of the Chase National Bank.—Editor)

Monetary Reconstruction Lags

By JAMES D. MOONEY
President and Chairman of the Board, Willys-Overland Motors, Inc.

Industrialist deplores neglect in restoring paper currencies to soundness and contends, until this is done, domestic and foreign stability cannot be attained. Gives evidence of inflation in U. S. and other countries and points out result has been maladjustment in individual incomes leading to decline in general purchasing power. Holds prices should not be artificially "pushed down" and urges a world-wide return to the gold standard.

The postwar reconstruction of our economy and that of the rest of the world on a stable basis for continuity still has a long way to go. Money is one of the key elements in this reconstruction. Since the end of the war little progress has been made toward restoring sound and dependable monies. In some countries inflation has run wild. Such countries as Greece, Austria, China and many of the smaller countries have seen the value of their currencies almost disappear. In France, currency inflation, black markets and uncontrolled prices have kept the economy in a state of disruption. In Italy the inflationary spiral has brought about the usual fight between labor and capital with almost continuous strikes. The value of the Italian currency is different every day. A suit of clothes is worth about 40,000 units of currency and a pair of shoes about 7,500. Black markets, speculation, hunger, poverty and mob violence can be observed daily as a consequence of the inflation which has made it impos-

James D. Mooney

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No Depression Ahead!

By EARL BUNTING*
President, O'Sullivan Rubber Corporation,
President, National Association of Manufacturers

Mr. Bunting, decrying prophets of doom, sees no suicidal depression ahead unless we talk ourselves into it. Says "we must quit rehearsing for a repeat performance of the crash of the dismal thirties." Declares we must answer Stalin, who is only one wanting American bust, by cleaning our whole economic house of every totalitarian smirch.

A good year in this country means a fair chance to work together—harder and more profitably for all.

That's the kind of year 1947 is for the whole American people. Don't let's sit back and watch the weeds grow as high as the crops in our economy. There is too little freedom—too little prosperity—left in all the world. Lest opportunity perish from the face of the earth, let us make 1947 remembered as the first of many great years in which our country's hopes came true.

Earl Bunting

Let's make teamwork the order of the day. Let's make the most of the opportunity that lies within our grasp.

The alternative to pulling together for the better times which all Americans want is pulling apart for a recession which *no one* wants. Neither government nor labor, certainly not American business, and definitely not one of the many thousands of people I have talked with in every part of our country, today wants it.

We can commit suicide if we want to, and we can talk our way into a suicidal depression if we choose to. But the American people do not want to do anything of the sort.

We must quit rehearsing for a repeat performance of the crash of the dismal thirties.

No 1929 Ahead!

I don't believe with the prophets of doom that we're headed for another '29. I don't hold with the calamity howlers that we face Depression Number Two.

The known facts just don't warrant any such assumption.

Stocks are not rocketing past the moon as they did in 1929.

Our banks are as liquid today as they were frozen in '29.

Today, we have 28 billions of currency in circulation, and other billions of bank deposits. This means real purchasing power to hold our economy steady as prices are adjusted downward.

We are armed with weapons which were not available in '29. Current and accurate market and inventory statistics help to chart safe courses.

And finally, today we have $7 billions in unemployment funds to cushion against and halt any plunge like in 1929.

So, I say if we crack up now it will be the result of our own folly. It will be because warning beacons were wilfully disregarded.

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*An address by Mr. Bunting before New York Industrial Conference of NAM, New York City, May 27, 1947.

Mobilizing for World Leadership

By HON. JOHN W. BRICKER*
U. S. Senator from Ohio

Prominent Republican urges us to follow sound industrial and social program at home as indispensable for worldwide freedom and peace. Calls resistance to relief from wartime tax rates shocking, and scores opposition to Budget reduction.

The general theme of our consideration tonight has been designated as Mobilizing America for World Leadership. This subject might well imply that we are giving up our concept of this country as a Republic, a government of free people wherein each citizen has a voice and a vote in the control and destiny of his government. Mobilization implies gathering all the power of the States together for a single purpose. If that power so mobilized is then exercised by a single person or small group of persons, we shall have, indeed, departed from a government of free peoples.

John W. Bricker

Certainly your committee, in selecting the subject of tonight's discussion, had in mind no such dire result. The subject, rather compels a program of education to create an enlightened citizenship from which our leadership gains its strength. To lead we must be strong. Our strength heretofore has flowed from the freedom of our people, from their industry and incentive, from their creative genius which has made possible a great, industrial development. Our strength has come from the utilization of our great natural resources and the fact that our people have been free to work, even to work for themselves. Our whole people long for peace and opportunity to live and serve. Yet peace will come to the world only when the peoples of the world are free to govern themselves. Certainly we can give no leadership in establishing freedom and self-government around the world unless we remain free here and continue to govern ourselves. We cannot even inspire other peoples to like freedom unless we continue to have within our own beings that deep love of freedom which has characterized a century and a half of our national being. So we can look for no sudden transition, no great change, no sudden calling to arms in American leadership in the cause of peace and better world relations. The problem resolves itself into a program of strong, growing, and sound industrial, economic, and social development within our own borders and a continued and constant reaffirmation of our love for freedom.

In the wake of destructive war, the world today is in chaos, people are starving, nations and peoples are set off against each other. Self-government today is at the lowest ebb since our Republic was created. The United States among all the nations of the earth remains strong, free, forward-looking.

Our Leading Role

For good or ill, our country now has the leading role in world affairs. This role we did not achieve in a vain-glorious national quest for power or terri-

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*An address prepared for Senator Bricker for delivery before National Industrial Conference Board, May 28, 1947.

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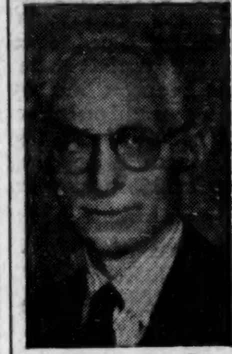
The Recent Violent Stock Market Swings

ARE THEY INDUCED BY GOVERNMENT CURBS ON FREE MARKETING?

By A. M. SAKOLSKI

Dr. Sakolski reviews recent opinion regarding stock market action and points out current "thinness of market," with accompanying precipitate swings in prices, may be attributed to restrictions on margin trading, floor trading and SEC requirements enforcing on large stockholders publicity of purchases and sales, along with possible confiscation of speculative profits. Sees present opportunity for removing obnoxious official curbs on free marketing.

The severe break in the stock market in early September, 1946, and the persistent swings and inexplicable price fluctuations since that time calls attention again to the causes and their effects. In view of the uncertain trends of stock prices, the inactivity of listed market transactions, and the general debility of securities markets as a whole — all under a regime of control, regulation and inspection—it may well be concluded at this time, whether normal conditions of maintaining a free exchange of securities have been prevented rather than promoted by the Securities and Exchange Commission and other Federal authorities.



A. M. Sakolski

A few days after the first severe collapse in the stock market in September, varying causes were ascribed for it. The veteran New Dealer Congressman, Adolph J. Sabath of Illinois, denounced the break as the mechanization of Republicans, particularly those in industry and business, who were hoping thereby to swing the November elections. And, more recently, i.e. on May 22, in a statement to the House, the same Rep. Sabath attributed current stock market gyrations to "outrageous crooked dealings" and a "short selling conspiracy." But these accusations certainly were not borne out by the Securities and Exchange Commission's publication of a list of "insiders" who could

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Why Doesn't the Stock Market Tick as It Should?

By EDMOUR GERMAIN

Securities Act of 1934 and SEC rules, together with Federal Reserve Board margin requirements, impair functions of market to detriment of investors and nation's economy. Feeling is that control over margins should revert to Exchanges.

The feeling is strong on Wall Street that the stock market is not as responsive as it should be to the various forces underlying not only the securities industry but also business as a whole. The suspicion is growing that something is interfering with the natural processes of the money market and that that something may be all the governmental and quasi-governmental prohibitions and restrictions that have been imposed upon that market.

A considerable portion of the financial industry has the distinct impression, though everyone in the business is aware, even if only dimly so, that their professional practices are all snarled up in a web of bureaucratic red tape emanating from the activities and edicts of certain governmental and quasi-governmental agencies, one of which anyhow, the Securities & Exchange Commission, owes its existence, in part at least, to a Congress back in the early 'thirties which, perhaps not fully understanding the techniques of finance, were prone to attribute the downsweep of the business cycle solely or principally to the machinations of bankers and brokers in general and of evildoers, that is, crooks of every description, on the stock market in particular. The country along with the rest of the world has been unwilling to admit that the stock market decline probably reflects more the shortcomings, mistakes, the laziness, stupidities and ignorance of the whole people rather than the alleged manipulations of the very small number of men whose principal business it may be either to maintain markets in securities or to invest the funds of others.

Almost overwhelmed by the mass of bureaucratic orders which have been heaped upon it in the last dozen years or so, the industry — naturally — finds its movements obstructed at every turn. To many thoughtful observers, therefore, the failure of the present market in securities to show the signs of buoyancy that many feel, in the light of the general postwar business picture, should be there is due in no small measure to the numerous hurdles which have been placed in the path of even the most routine of the func-

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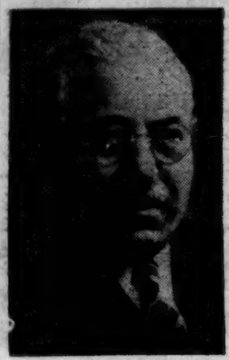
Sabath Attacks Short Selling

In statement to House he ascribes recent stock market declines to manipulations of short sellers, and introduces bills, one to levy 5% tax on short sales and another to prohibit communication of false information with respect to securities. Demands names and commitments of short sellers and if request not complied with will introduce resolution compelling SEC and Stock Exchange to furnish same. Releases correspondence with President Schram of New York Stock Exchange.

On May 23, Congressman Adolph J. Sabath (D.-Ill.), in a statement to the House of Representatives, published in the "Congressional Record," renewed his attack of last September on what he termed was manipulation of stock prices for political purposes. This time, Rep. Sabath turned his guns on short selling, and gave the text of a bill he introduced which would levy a special tax on short selling, as well as recent correspondence with Mr. Emil Schram, President of the New York Stock Exchange. The text of Mr. Sabath's remarks follows:



A. J. Sabath

Text of Statement

Mr. Speaker, on Sept. 4, 1946, I urged the New York Stock Exchange to prohibit short selling, and I again requested the Securities and Exchange Commission to strengthen and enforce strictly the regulations governing short sales. I particularly urged that short sales on margin or on stock borrowed from brokers be prohibited. At that time the securities of sound well-managed industrial companies were being hammered down in a manner which convinced me it was being done by short selling and by manipulation of odd lots. Since election day the market price of many leading stocks has fallen off 50% and even 75%.

Demands Prohibition of Detrimental Manipulations

On May 16 of this year by telephone, and on May 19 by letter, I again called the attention of the SEC and the New York Stock Exchange to what I consider an approaching danger to our economy and prosperity. On May 21 the "Wall Street Journal" carried an article showing the heavy increase

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A Program for Foreign Rehabilitation Aid

By HAROLD E. STASSEN*
Ex-Governor of Minnesota

Republican Presidential aspirant attacks extremist foreign policy views of Henry Wallace and Robert McCormick. Urges a strong and wise humanitarian world policy which will give peace and plenty to ourselves and others. Asserts war is not inevitable and economic crashes not unavoidable. Advocates devoting 10% of national production in next decade for foreign aid, but would bar use of funds for socialization.

Everyone in America now realizes that we are not concerned with two separate sets of policies, the one foreign and the other domestic, that we do not have two compartmentalized problems,—the one our world relationships and the other our internal success — but rather that the two are completely interwoven and constitute one inter-related problem for decision. If anyone had any doubt of this it would certainly be dispelled if he went abroad and heard the persistent searchings and questions as to our internal economic future by leaders in many countries of many different viewpoints and forms of government—from Russia's Stalin and from England's Churchill, from Czechoslovakia's Benes and from France's Ramadier. Equally is this clear as we confer with business leadership in America and note the degree to which analysis of conditions of abroad affects plans at home for production and employment, for building and investment.

Harold E. Stassen

In discussing these future policy decisions of ours in America I believe we can best understand each other if we sharpen up our discussion on a basis most easily understood. There are extremes advocated in America as to all major phases of our inter-related foreign and domestic policy. And with reference to the foreign policy phases in particular, one extreme of policy is currently advo-

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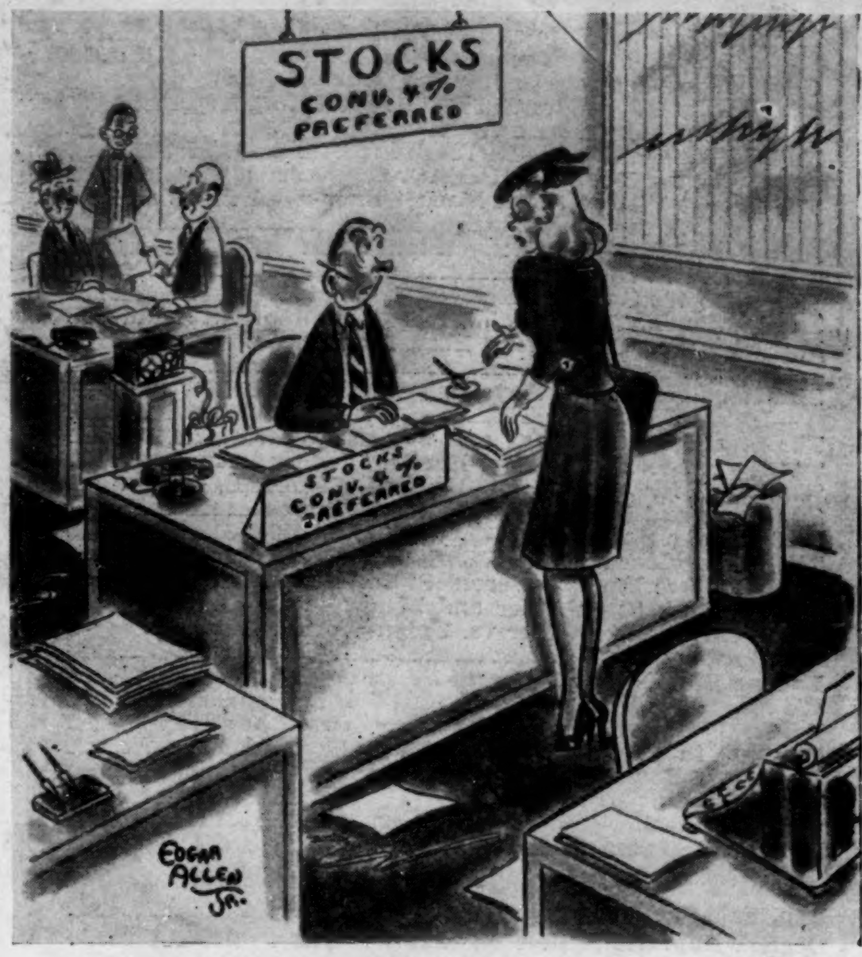
*An address by Mr. Stassen at Annual Community Celebration at Jefferson, Iowa, sponsored by the American Legion, May 21, 1947.

BUSINESS BUZZ



"What Stocks Do the Other 96% of the People Prefer?"

Dealers Appraise Article On NASD's 'Self Praise'

Editor, "Commercial & Financial Chronicle":

As usual you still posses the knack of getting right into the guts of a situation. A canvass of local dealers by the writer on Elizabeth Frazer's book brought forth such replies as, "is this all the N.A.S.D. has to do with their time and our money," or, "any dealer that is rational will laugh out loud after reading it."

Your reference to personal visitations and inspections of books is correct as evidenced by the following:

It is generally known that our firm has refused to become indoctrinated with N.A.S.D. ideology, therefore, we were selected for the visitation (Witch Hunt) in our territory. The approach of the inspector (who was a nice "Joe") is, that I am only here to help you and check on Regulation T (payment of sales within seven days), which the SEC is very tough about. After finding no violations of Regulation T he jumps to our Blotter (which is what he came in for) and copies off 50 or more transactions **including customers names,** and takes same away with him. You may recall that under the old questionnaire no customers names were disclosed.

As far as we know we had no violations (5% profit) so the following questions were asked: "What is your opinion of N.A.S.D., Wallace Fulton, your District Conduct Committee, the Executive Secretary of your District Committee, have you informed, and do your customers know, the difference between principal and agent transactions, and what is your working capital?"

It is our opinion that this visitation was definitely a reprisal. Although the inspector stated that he had visited other dealers in our territory, a canvass of each dealer by the writer, failed to find one, and with one or two exceptions we have canvassed them all.

Yours very truly,
A NEW ENGLAND DEALER.
May 17, 1947

Editor, "Commercial and Financial Chronicle":

In response to your request for comments on the brochure by Elizabeth Frazer, I am glad to confirm all your adverse comments and those of the one Chicago house that you quote and it certainly is damnable that dealers must conceal their identity, as the writer also requests, when giving expression to thoughts relative to the manner in which their dues money is spent.

When the Nasty Dealers proposed the registration of employees, which I and probably a vast majority of members opposed, we were told that it would not involve any increase in dues. If you remember or can find my letter written at that time—I stated that those responsible for issuing such a statement were deliberately lying or conceding that their

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Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

Don't be mislead by tales President Truman has silenced his price reduction symphony. He hasn't. Business and industry — and consumers — will hear more of that right along from the President, his Cabinet, and just plain politicians. It will climb back into the top headlines after Congress goes home.

* * *

You can readily comprehend the two main reasons why the President will continue to preach lower prices: (1) personal prejudice, and (2) political prudence. He's honest in his own belief prices must be shaved. He's also confident they will be reduced on many consumer items and that he can gain political credit by continuing his stump crusade.

* * *

Rumors the White House will strive to force lower prices by punitive measures such as a new excise profits tax can be shunned. They're groundless. Public persuasion will continue as the keynote. The President knows he couldn't get punitive legislation. likewise he knows that political credit can accrue to his party only through press and radio harangues.

And you can ignore, too, talk of a new NRA. Business would participate willingly on only one condition — a floor under as well as a ceiling over prices. The Administration can't agree to that.

* * *

Senate Appropriations Committee has given the typewriter industry something to cheer about. Committeemen have voted to eradicate fixed price ceilings on typewriters bought by the government, to substitute a flat 30% discount. That means the difference between profit and loss on machines sold to Federal agencies. Congressional concurrence can be counted on.

* * *

SEC still looks for a Washington home, hasn't had any luck. Space control officials

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Where Do We Go From Here!

By RAYMOND RODGERS*

Professor of Banking, New York University

Dr. Rodgers contends slackening of business will be beneficial to decent efficient producers, "if it does not get out of hand." Says prices are too high, and business is conducted in wasteful manner, but looks for readjustments which will prevent severe depression. Points out long advertised recession is here, but despite commercial loan expansion and real estate inflation, there'll be no repetition of 1920, but rather, a return to old-fashioned competition.

It is difficult enough to determine where we are without trying to estimate where we are going. The entire world is in the throes of change. There is no old-fashioned stability anywhere. England is passing through an economic Dunkirk more bitter in some respects than the war itself; but, mind you, the Battle of Britain is yet to come! It remains to be seen whether Atlee is merely a politician leading the Labour Party or a statesman capable of leading a Working Party, which

Raymond Rodgers

is the only thing which will save England economically. England's labor government has been facing the future boldly, but they now must face the present and start paying for their ride. Whether their method will be a capital levy, compulsory savings, or defaults on obligations, I cannot say—but clearly something has to be done. As for Russia, when you can't make a treaty of peace with an *ally* two years after the war is over, the outlook is indeed dismal.

The National Scene

I mention these first, because, so long as international anarchy prevails, we shall have the financial burden of aiding other countries, particularly England, and the heavy financial costs of large air, military, and naval establishments. And, most importantly, the world will continue to turn

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*An address by Dr. Rodgers before Annual Convention, Ohio Bankers Association, Columbus, Ohio, May 22, 1947.

Observations . . . .

By A. WILFRED MAY

COORDINATION IN THE RECONSTRUCTION EFFORT

The need for a complete reorientation and reorganization of our foreign relief and fiscal reconstruction activities is everyday becoming more apparent. The desirability of confining all such activities to an overall program with world-wide rules formally agreed to by an Economic Conference—with or without Moscow participating—is highlighted by the now-evident ineffectiveness of our recent enormous extensions of largesse, by the impracticability of imposing suggested safeguards on nations individually, and by the growing circuitous manipulation of trade and payments between Continental countries.

A. Wilfred May

None of this "long-circuiting" of trade can go to the root of overcoming foreigners' growing overall shortage of dollars. The Office of International Trade of our Department of Commerce, after estimating that our export surplus is now running at an annual rate of no less than $10 billions, officially concludes that "obviously in 1947 either exports must be cut drastically or imports must be increased by 50%, or additional loans must be made."

It is hoped that our largesse so far distributed may be considered merely as an "emergency platform" on which the more businesslike credit operations henceforth can be superimposed.

The American public, looking at the course of lending during the past two years and feeling that much of its $17 billions has been "poured down the drainpipe," is assuredly veering toward insistence that further reconstruction activities be undertaken as a unified whole; and not controlled by, or apportioned to, the number of people at the borrowing window.

Circuitous Trading

The lack of centralization is now permitting and encouraging a great variety of circuitous transactions to be made. Thus a Communist-Polish publishing magnate, who is in this country now on

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The Economic Outlook

By G. ROWLAND COLLINS*

Dean, Graduate School of Business Administration, N. Y. U.

Asserting it seems likely over next five months many business lines will experience downward slope, Dean Collins contends there will not be a complete "bust," and recession in soft goods will be eased by durables taking up the slack. Stresses importance of well balanced group income relationships and sees stockholders and "white collar" workers in squeeze of taxes and living costs. Calls for goal of maximum amount of goods to maximum number at minimum costs, and advocates lower taxes.

Economic prognosis is pathetically precarious! And especially so if the predictions that may be involved are precise and positive. That is why so many economists are pessimistic in their pronouncements. A prophecy of doom is quickly forgotten if the doom does not arrive. But a prediction of boom is remembered when the "bust" appears. The only other safe course, I suppose, is to avoid the issue—to dodge. That is always possible in economic comment. In fact, so I am told, the only place in the world where there isn't a chance of dodging the issue is a maternity ward.

Geo. Rowland Collins

My topic is "The Economic Outlook." As I approach it I am conscious of the fact that the present always dims both the past and the future. But I know that it never blacks them out! For after all, the present is the smallest point of the three. And the swiftest!

Look back and look ahead we must. I do not propose to dodge. You are all privileged to disagree—vigorously or violently. Yes, even to put my comments down as just the mouthings of an academic economist.

I suppose you know that an economist is rather widely defined as: "A man who sometimes uses language to express thought, who frequently uses language to

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*An address by Dr. Collins before the New York Employing Printers Association, New York City, May 26, 1947.

David Bruce to Head Commerce Bureau

WASHINGTON, May 28 (Special to the "Chronicle") — The Bureau of Foreign and Domestic Commerce, which has been in existence only nominally during the past few years and "on the chart" under the direction of Amos E. Taylor, is to be headed by David Bruce, the "Chronicle" learns. The Bureau will again become an active part of the Commerce Department. To Mr. Bruce will report the Office of International Trade, the Office of Business Economics, the Office of Domestic Commerce, and the Office of Small Business presently reporting to Under Secretary of Commerce William C. Foster.

With Waldron & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — J. Huntington Davis is with Waldron & Company, De Young Building.

Weiner Adds Two

SAN FRANCISCO, CALIF.—Ted Weiner & Co., 41 Sutter Street, has added Leonard H. Guest and Harold House to the firm's staff.

With Southeastern Secur.

JACKSONVILLE, FLA.—Rollin E. Baker has joined the staff of Southeastern Securities Corporation, 304 West Adams Street.

With Leedy, Wheeler & Alleman

ORLANDO, FLA. — Ottis L. Mills has become associated with Leedy, Wheeler & Alleman, Florida Bank Building.

With Slayton & Co., Inc.

LOS ANGELES, CALIF.—Harold A. Johnson and Elvin G. Pritchard are now connected with Slayton & Company, Inc., 3277 Wilshire Boulevard.

How Successful Traders Make Money in Stocks

Michael J. McLaughlin, a former securities investigator with the United States Securities and Exchange Commission, has just completed writing a book on "How Successful Traders Make Money in Stocks." In addition to telling many things about trading in stocks, the book contains an article about the man who developed the Dow theory but never used it to speculate. It also tells his probable real reason for not using Dow's theory to speculate, and what he did to make money. It tells about investment advisory services and why short sales should be identified on the tape, etc.

There is a chapter containing information about the SEC and the NASD, and why in the author's opinion the SEC should be investigated and the NASD should be liquidated.

There is also a chapter about a deaf, 84-year-old lady's complaint to the SEC about securities worth $17,000 that she gave to a broker referred to in the book and who is permitted to continue in business after violating a law that another man was put out of business for violating—according to an SEC report to Congress.

The Mack Publishing Co., 25 Broad Street, New York 4, N. Y. headed by Mr. McLaughlin, is the publisher of the book which sells for $2.

Beckers Vice Chairman Of NYSE Gov. Bd.

The Board of Governors of the New York Stock Exchange, at its organization meeting May 22, elected William K. Beckers as Vice-Chairman. Mr. Beckers, a member of the Exchange since July, 1927, has twice been elected to the Board. He was a Governor from 1938 to 1942 and was re-elected again in 1944. He is a partner of Spencer Trask & Co.

William K. Beckers

The Board re-elected as Governors of the Exchange representing the public John Q. Adams and C. Robert Palmer. Mr. Adams is a director of the Central Illinois Bank & Trust Company of Chicago and Mr. Palmer is President of Cluett, Peabody & Co., Inc.

Julius Schlein to Be J. Melniker Partner

Julius D. Schlein will shortly become a partner in Jerome Melniker & Co., 61 Broadway, New York City, members of the New York Stock Exchange. Mr. Schlein will acquire the Exchange membership of Jerome Melniker.

Bush Securities Co. Forming in Mobile

MOBILE, ALA. — Albert P. Bush, Jr. is forming Bush Securities Co. with offices in the First National Bank Annex, to conduct a securities business.

Two With King Merritt

Special to THE FINANCIAL CHRONICLE

MINNEAPOLIS, MINN.—Joseph Dugan and Lawrence J. McGovern are now with King Merritt & Co., Inc., Pence Building.

SEC Requirements on Reporting Sales of Securities

By IRVING J. GALPEER*

Writer calls attention to overlapping provisions of Securities Act of 1933 and Securities Exchange Act of 1934, and points out uncertainties and problems arising in connection with sales by officers, directors and 10% holders and in defining what constitutes control of a corporation.

"I," said Mr. Smith, "am an officer and director of the Amalgamated Universal Corp. My associate here, Mr. Jones, has no official position with the company but owns over 10% of its stock. Stock of our company, as you know, is not registered on any exchange. We intend to sell some of our holdings and we were wondering whether we are required to report such sales to the Securities and Exchange Commission?"

Irving J. Galpeer

Both Mr. Smith and Mr. Jones have adequate cause for wonder. In fact, the broker or dealer through whom the stock may be sold is also apt to be confused as to precisely the correct answer. This confusion arises because of the overlapping provisions of the Securities Exchange Act of 1934 and its predecessor, the Securities Act of 1933.[1]

The Securities Exchange Act of 1934 covers the registration of securities on national securities exchanges. It requires monthly reports from owners of more than 10% of any class of equity security registered on an exchange; it also requires such reports from directors and officers of a company, any of whose equity securities are so registered. All of these officers and directors, as well as 10% stockholders, are required to file monthly reports with the SEC showing changes in their ownership of all equity securities of the company.

But these provisions apply only when an equity security of the company is registered on a national securities exchange.[2] Accordingly, if no equity securities are so registered, such monthly reports to the SEC indicating changes in holdings are unnecessary.

However, this simple answer

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1 We assume that the Amalgamated Universal Corporation is not itself a registered broker or dealer or subject to the provisions of the Public Utility Holding Company or Investment Companies Acts. Otherwise, additional provisions affecting such companies might have to be considered.

2 Securities traded on exchanges solely by virtue of unlisted trading privileges are *not* "registered." For purposes of this discussion they may be regarded as securities which are traded only over the counter.

*Mr. Galpeer is a member of the New York Bar and was formerly Assistant Regional Administrator of the Securities and Exchange Commission.

Factors Fixing Commercial Bank Investments

By MARCUS NADLER*

Professor of Finance, New York University

Dr. Nadler lists as factors determining commercial bank investments: (1) trend of general economic conditions; (2) monetary policies and fiscal position of Treasury; (3) long-term capital financing demands; (4) movement of deposits; (5) demand for commercial loans; and (6) the individual position of the bank itself. Holds economic recession is not likely to develop into a depression, and degree and length of recession will depend on commodity prices. Urges banks give attention to liquidity and exercise care in mortgage financing.

Banks are handmaidens of industry and trade and hence their activities reflect clearly economic conditions prevailing in the country. During the war, when a large portion of our economy was engaged in the production of war materials, the earning assets of banks consisted to a very large extent of Government obligations. With reconversion over, with the budget of the Federal Government balanced, the composition of the earning assets of the banks is undergoing a rapid change. Holdings of Government securities are decreasing, loans are increasing and many banks are investing in AAA obligations other than governments. It is quite evident, therefore, that investment policies of banks must be changed and adapted to prevailing economic conditions. This is particularly true at the present time when the economy is in the midst of a transition period and the sellers' market is rapidly being converted into a buyers' market, with competition increasing and a moderate recession in the making. Under present conditions, therefore, the investment policy of a bank should be determined by the following factors:

Dr. Marcus Nadler

(1) The broad national economic situation, including the outlook for business, the movement of commodity prices, employment and the financial status of corporations.

(2) The monetary policies of the authorities, particularly the management of the public debt and the fiscal position of the Treasury.

(3) The demand for capital by political subdivision and corporations as well as for the construction of buildings and homes.

(4) The movement of deposits, savings as well as demand.

(5) The demand for loans by industry and trade which in turn

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* An address by Dr. Nadler before the 56th Convention of the Illinois Bankers Association, Chicago, Ill., May 21, 1947.

The Steel Industry Today and Tomorrow

By WALTER S. TOWER*

President, American Iron and Steel Institute

Spokesman for steel industry reviews transition period, and comments on ability of producers to maintain production under higher wages and slight increase in steel prices above OPA ceilings. Denies profits are too high and holds efficiency of capital and not productivity of workers has been responsible for lower steel costs. Warns against over expansion of industry due to temporary demands and cites depression following World War I. Denounces theory wages should rise with corporate earnings but should not be reduced when earnings decline.

Let's have a look at what has happened in the steel industry since you were here a year ago, a year of transition from armed hostilities to the domestic conflicts of a turbulent peace. Within the year your industry has largely been relieved from the nutcracker of rigid government controls, although there are still lingering vestiges of official pressures, upward on wage levels, downward on prices, sideways on profits.

Walter S. Tower

Ostensibly, however, the industry has come back to your hands. It came bedecked with fantastic portal-to-portal suits, new rounds of union demands, higher freight rates, threat of another coal mine stoppage, scrap supplies doing fancy disappearing acts, and alleged transactions in some products suggesting a modern version of rum row. Yet the industry has forged ahead.

In the 12 months ending next week, your furnaces will have melted close to 80 million tons of steel. That figure is almost 15 million tons higher than the best previous year when there was no war influence at work. It is a great achievement in the face of various bedeviling circumstances, including one railroad strike, two coal strikes and the recurrent menace of scanty supplies of some raw materials. For the current calendar year the rate so far, if it holds, will make a total for 1947 close to 84 million tons. And that figure would mean nearly 30% more steel than this country has ever been able to use for civilian purposes in any one year.

The last five months have shown an operating rate above 93% of ingot capacity. That has been equalled only once before in peacetime, in the first five months

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*Presidential address by Mr. Tower at 55th General Meeting of the American Iron and Steel Institute, New York City, May 22, 1947.

Yield Declines on Life Insurance Investments

Institute of Life Insurance reports drop from 3.07% in 1945 to 2.92% in 1946. Effect of reduction offset in part by improved mortality experience.

The net rate of interest earned by the life insurance companies of the United States on their invested funds last year dropped under 3% for the first time in the history of the business, the Institute of Life Insurance reports.

The 1946 earning rate of the business was 2.92%, compared with 3.07% in 1945 and 3.61% in prewar 1940.

"The investment earning rate of the life insurance business has been declining almost continuously since 1925, when an earning rate of about 5.25% was reported," the Institute commented. "This decline has followed and been paced by the decline in interest rates on basic investments in this same period.

"The average yield on Aaa corporate bonds reported by Moody's Investors Service shows a decline of 2.35 in the years between 1925 and 1946, going from 4.88% to 2.53%. In the same period, U. S. Treasury bonds showed a decline of practically the same amount, although the actual drop is difficult to measure with precision, due to change in the taxable status of these issues. The life insurance earning rate dropped about 2.33 in the same years, reflecting the close relationship of life insurance earning rates to the general trend of interest rates.

"The reductions in earning rates have been offset in part by improved mortality among policyholders during these years, but the resulting loss in income has been sufficient over the 21 years to cause adjustment of policy interest rates by most companies to new levels materially below those used in the '20s. By the end of this year, many companies will be using 2¼%, 2½% or 2¾% as the basis of their policy computations, in contrast to the 3% to 3½% used in the '20s.

"The net cost of life insurance to policyholders has also been affected and is today slightly higher than the level of 20 years ago. This would be the natural result of reduced investment earning rates, as earnings represent one of the three basic factors in determining the cost of life insurance. The 1946 earnings were only about one-half the amount that the 1925 earning rate would have brought in from the 1946 investments. The difference between actual 1946 earnings and those which the 1940 earning rate would have provided is about $300,000,000.

"Currently, the life insurance companies are making progress in their efforts to improve their earnings position. Many changes are being made in portfolio distribution. With U. S. Government financing needs eased, the investment of new funds in U. S. Treasury bonds at their lower interest rate is not being maintained at the high wartime level. At the same time, the companies are developing several new channels for investment which should improve the average earning rate. Among these are: Rental housing projects; real estate held for investment purposes; a greater volume of preferred stocks; more extensive real estate mortgage investments."

The life insurance company earning rates for the years since 1939 are given by the Institute as follows:

1939	3.70%	1943	3.29%
1940	3.61%	1944	3.19%
1941	3.41%	1945	3.07%
1942	3.40%	1946	2.92%

"Whither, America?"

By HON. HAROLD KNUTSON*

Chairman, U. S. House of Representatives' Committee on Ways and Means.

Citing gigantically successful war effort by American free enterprise, Congressional leader says the great battle is still ahead to end nation's long period of license. States Republican Congress is successfully moving towards sound objectives in taxation and labor, and to remove the shackles of a "bureaucratic octopus." Concludes country has no more money to squander abroad, and a solvent America is necessary to rebuild world.

I have chosen for my text "Whither, America?" because we have now reached that stage in our progress as a nation where we are called upon to decide which path we will choose to follow from here on.

Today the peoples of the world are realigning themselves into two groups or camps. One contends for the preservation of the free enterprise system; the other is determined to destroy all forms of personal initiative and substitute in place thereof a static society, governed by a small group at the top, where the individual is merely a cog in what their leaders are pleased to term the "planned State." In short, it stands for human slavery.

Hon. Harold Knutson

From all sides we, who stand for continuation of the free enterprise system, are being attacked and every conceivable weapon is being resorted to.

We are told that the free enterprise system is out-moded and must give way to what the fanatics are pleased to term the "new order." Their arguments are that the free enterprise system is a failure and wholly inadequate to our times.

If their contentions be true, how does it come that in the darkest hour of the great contest to destroy Nazism and Fascism in their worst possible form, the world looked to us to become the arsenal of democracy, also the banker for the so-called allied side?

I cannot yet understand how it was possible for a decadent system of capitalism to convert from peace to war, almost overnight, and produce the endless and limitless quantities of planes, and tanks, and trucks, and tractors, and guns, and shells, not to mention the required supply of food, clothing, and precision instruments, all so desperately needed in the Battle of Armageddon. We even had to step in and save Russia from being crushed and destroyed. If what the Communists tell us be true, it should have been in the reverse, and Russia should have done the saving.

You will agree with me that it is most fortunate for the world that there remains one country—the United States of America—which has its foundation in the free enterprise system, and which has the money to give and to lend for the relief and rehabilitation of the less fortunate countries of the world.

Battle Still Ahead

True, we threw everything into that war that we possessed. We felt then, and we feel now, that no sacrifice was too great when made to preserve our liberties, our free institutions and our way of life, to the end that our children and their children may enjoy the benefits and advantages of our historic and traditional institutions, our free enterprise system, our representative form of government, and the many other blessings with which we have been

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*An address by Representative Knutson before the NAM Industrial Conference, New York City, May 27, 1947.

Securities Dealer Says SEC Hasn't Been Much Help to Holders of Bonds of Enemy Countries

Claims owners of some German bonds were compelled to take large losses on their investments as far back as 1937, when SEC refused to permit conversion of coupons into German funding bonds. Points out suspending trading in enemy country obligations during war was unnecessary. Says if SEC insists on full disclosure of financial condition by issuers of these bonds before permitting resumption of trading, American holders will have to wait five years or more before they get benefits of free market in the bonds. Declares bonds have cash-in value apart from any value due to earning capacity of issuers.

One large dealer in foreign securities in the Wall Street financial market charges that certain Securities & Exchange Commission regulations have been working to the serious detriment of the American investor in the bonds of enemy countries—and not to his advantage, as claimed by the SEC—not only during the war but for the last ten years, that is, all the way back to 1937, and give promise now of continuing for another five years or more the harm that has been done.

With the insight gained from 33 years of experience buying and selling foreign securities and currencies on Wall Street, plus a personal interest in the subject, he analyzes the matter this way:

During the war, the SEC asked traders not to create or maintain markets in these securities, that is, the dollar bonds of the Axis nations. Legitimate dealers complied with this request and so trading in these securities was suspended, giving rise, however, to an uncontrolled black market. A reason given for stopping all trading in these bonds was to prevent the nationals of enemy countries from converting looted securities into dollars here despite the fact that other and more effective means were either at hand or potentially so to detect fraudulent ownership. The Treasury Department had requested owners to register their bonds as of Pearl Harbor and the limitation of trading to registered securities would have kept looted bonds off the market. As it was, though a free market was maintained in Sterling bonds in London (the counterpart of the dollar bonds here) right along, American investors were denied the benefits of a free market in this country. London, it seems, is still more adept at international trading than we are here in this country. In fact, holding these bonds worthless, the Income Tax Bureau in 1942 permitted bondholders to claim a 100% loss against the securities for income tax purposes.

Even before the war, however, the SEC compelled American holders of some of the German bonds to take large losses on their investments by prohibiting a market in the funding bonds which the Germans wanted to issue in payment for the bond coupons. That was in 1937. By agreement between the SEC and the Germans, American bondholders had been permitted for three whole years before then to accept and, if they so desired, to dispose of their funding bonds on the mar-

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Public Utility Securities

New England Electric System

New England Power Association is being recapitalized under the name New England Electric System. In order to conform to the Utility Holding Company Act and simplify capital structure, the company is being merged with four sub-holding companies (Massachusetts Power & Light Associates, North Boston Lighting Properties, Rhode Island Public Service Company, and Massachusetts Utilities Associates). Capitalization on completion of the plan will be as follows:

Subsidiary Companies		
Funded Debt	$79,000,000	23%
Preferred Stocks	22,000,000	7%
Common (minority interest)	9,000,000	3%
Parent Company		
Funded Debt	85,000,000	25%
Common Stock and Surplus	143,000,000*	42%
	$338,000,000	100%

*Par value ($20 a share) is $134,000,000 and surplus (adjusted for amortized debt discount and expenses, but not for intangibles in plant account) approximates $9,000,000. The plant account apparently includes about $65,000,000 in excess of original cost, and there may be intangibles contained in $100,000,000 plant account for most of which orignal cost studies are not required.

The company was scheduled this week to offer at competitive bidding two issues of debentures —$25,000,000 due 1967 and $50,000,000 due 1977 ($10,000,000 is also being borrowed on serial notes). Both bond issues will be reduced by sinking bonds, the one on the 1967 issue starting in 1948 and the other in 1958. 80% of the 1967 issue will be retired by maturity and 45% of the longer issue. The bank loan will be paid off serially by 1957. Thus at least 62% of the initial debt should have been retired by 1977. There will be 6,695,075 shares of new common stock ($20 par) to be outstanding on completion of the exchanges under the plan.

New England Power Association stocks are traded on the New York Curb. The 6% preferred stock (traded around 72) will receive 5.4 shares of new common; the $2 preferred (around 23) receives 1.8 shares and the common stock (around 8½) receives .65 shares. The new common stock (when issued) is traded over-counter at around 13.

On a pro forma basis earnings on the new bonds and common stock would have been approximately as follows in the past decade:

	Revenues	Gross Income	No. Times System	Charges Earned Parent Co.	Amt. per Share Com.
	——(Millions)——				
1946	$90.6	$18.4	2.2	4.9	$1.47
1945	86.0	17.3	2.0	4.4	1.42
1944	85.9	18.1	1.9	4.3	1.29
1943	83.3	17.2	2.1	4.5	1.35
1942	78.4	17.8	2.2	4.7	1.42
1941	71.9	18.2	2.2	4.8	1.45
1940	65.2	18.1	2.2	4.8	1.48
1939	63.1	19.3	2.3	5.3	1.64
1938	58.9	18.4	2.3	4.9	1.51
1937	60.8	20.2	2.4	5.5	1.76

The New England Electric System includes 29 subsidiary companies serving electricity to 259 municipalities, of which 145 are in Massachusetts, 27 in Rhode Island, 66 in Vermont, 17 in New Hampshire and 4 in Connecticut. System revenues in 1946 were 80% electric, 9% gas and 11% transportation. 34% of the electric revenues were residential, 19% commercial, 32% industrial and 15% miscellaneous and wholesale. The company last year purchased nearly one-third of its electric output; generated power was nearly half hydro-electric. The company is installing about 40,000 kw. steam generating equipment this year and an equal amount next year. It also expects to develop 33,000 kw. hydro capacity, and Boston Edison will make available an extra 25,000 kw. firm power beginning late this year.

System companies manufacture about 79% of gas output, the rest being purchased. Transit operations in Rhode Island include trolley cars, trackless trolleys, motor buses and taxis. Elimination of trolley cars will probably be completed next year.

Electric residential revenues in 1946 averaged about 4½ cents per kwh. and usage 906 kwh. per annum. The ratio of system earnings to plant account and working capital (omitting known intangibles) is estimated at 6.8%. The company appears to be having no regulatory troubles with respect to rates, substantial reductions having been made in 1944-6.

A. M. Kidder Admits Roberts & Warner

A. M. Kidder & Co., 1 Wall Street, New York City, members of the New York Stock Exchange

Albert Roberts, Jr. Charles E. Warner

and other leading exchanges, will admit Albert Roberts, Jr. of St. Petersburg, Fla. and Charles E. Warner to partnership in the firm on June 1st. Both were formerly partners in Cohu & Torrey.

It is understood that A. M. Kidder & Co. is purchasing all 10 of Cohu & Torrey's Florida offices.

Monasch Partner in Hooker & Fay; Larkin Forming Own Firm

SAN FRANCISCO, CALIF. — The San Francisco Stock Exchange announced May 26 the admission of David Monasch, Jr. and the retirement of Emmett A. Larkin as general partners of Hooker & Fay. The firm of Monasch & Co. has been dissolved.

Emmett A. Larkin has formed the firm of Emmett A. Larkin & Co. Mr. Larkin will be a specialist-odd lot dealer on the floor of the Exchange.

Philip B. Taylor Now Is With Sutro & Co.

Special to THE FINANCIAL CHRONICLE

SAN FRANCISCO, CALIF. — Philip B. Taylor has become associated with Sutro & Co., 407 Montgomery Street, members of the New York and San Francisco Stock Exchanges and other leading exchanges. Mr. Taylor was formerly with Wulff-Hansen & Co. and its predecessors. In the past he was manager of the bank and insurance stock department for Bacon & Co.

W. A. Ogden, Jr. With Clark Davis of Miami

Special to THE FINANCIAL CHRONICLE

FT. LAUDERDALE, FLA. — William A. Ogden, Jr. has become associated with Clark Davis Co., Langford Building, Miami. Mr. Ogden for many years conducted his own investment business in Fort Lauderdale.

"Last Call for the Diner"

By HENRY GULLY

With Cohu & Torrey, Members New York Stock Exchange

Mr. Gully contends bearish market factors have run their course, and a "bear panic" may be anticipated which should advance industrial share market 15 to 30 points.

For some time now I have been growing more aggressively bullish. Accordingly, for the first time in well over a year, I am recommending a fully invested position to persons depending upon my advice. During the past eight months there has been ample time and ample bearishness in financial circles to justify a decline in the Dow Jones Industrials to 140 or lower. Such decline has not occurred.

Henry Gully

Despite increased cautiousness on the buying side of everything from manufacturer to retailer and from the small investor to the millionaire capitalist, the market has been consistently refusing to go substantially lower, especially in high and good grade stocks. On at least five occasions good demand has been found for stocks in the 163-168 Dow-Jones average level. During the past eight months, while these higher grade stocks have been acting well, one or a few at a time, the stocks of the less attractive industries and weaker companies have been sagging to new lows, thereby adjusting the position of the market as a whole and the positions of such stocks to the respective risks involved.

But when I see railroad carloadings running at close to the 900,000 level as early as this in the year, when usually one must wait until October or November for such excellent indications of the movement of inventories from the manufacturers' warehouses to distribution channels; when I see record oil production and record gas and electric consumption; when I see three times as much money available for investment, speculation, business expansion, etc., as in 1938-40; when I see the bond market holding well in spite of low yields; when I see stocks, many good stocks, increasing dividends, which increased dividends still are quite conservative in relation to current and immediately prospective earnings; when I see Wall Street and the general public becoming very cautious about stocks and merchandise compared with their general enthusiasm just one year ago; when I see the world, every country in the world, wanting to buy American goods of all kinds, wanting to accumulate American dollars and wanting to borrow an aggregate approaching possibly $10 billion for reconstruction, supplying of stores, machinery, seed and food; when I appreciate that the German and Japanese industrial machine has been wrecked, which machine was a substantial thorn in the world's competitive markets while Germany and Japan were building up

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Sun Spots and Stock Prices

By DANIEL PINGREE

Writer revives old theory that business conditions and stock market fluctuations vary with sun spot cycles. Sees 1950 next turning point in market trend.

The usefulness of any theory depends not on snap, superficial judgments, such as, "It seems all right," or, "It sounds crazy to me," but on how it actually works. The pragmatic test is the sound measure of worth.

Daniel Pingree

The greater the area of the sun's surface which is covered by those huge vortexes, known as "sun spots," the greater the radiation of ultra-violet light to the upper layers of the earth's atmosphere. Much of this ultra-violet light is intercepted by ozone in these upper layers, and the more such light there is, the more ozone is created out of oxygen, intercepting ever larger portions of the total radiation. At some point short of maximum radiation, the maximum amount of ultra-violet light is allowed to filter through to the surface of the earth, where it exercises its beneficial effects on man, beast, and plant. Activity is stimulated, man's wants are increased, and his ability to satisfy those wants is also increased. There are inevitable reactions on business and on stock prices.

The sun spot area is now measured every day on which the surface of the sun is visible, although some decades ago the number of spots only was counted and no measurement of area made. A European astronomer, Rudolph Wolf, worked so painstakingly with sun spot data running back to 1749 that the index he devised is still in use today, and is called the "Wolf number." The Wolf number is not so accurate as the more recent area figures, but is a close enough approximation for all practical purposes.

Since the greatest beneficial effect from sun spots occurs at some point short of maximum radiation, we are faced with deciding just what that point is. In the present state of our knowledge this decision must be arbitrary. Let us assume that the greatest beneficial effect occurs in a year in which the Wolf number rises above 55, and that the least beneficial effect occurs in a year in which the Wolf number drops below 30. In the last three-quarters of a century the Wolf number has crossed 55 on the way up in 1882, 1892, 1905, 1916, 1926, 1936, and 1946. Most of these years missed the exact crests of stock prices, but no one would have been hurt by selling stocks in any one of them.

On the other hand, the Wolf number crossed 30 on the way down in 1875, 1886, 1897, 1910, 1921, 1931, and 1942. No one would have been hurt by buying stocks in any of these years, unless, of course, he was too heavily margined.

As an example, take the common stock of the Erie Railroad. The Erie is chosen, not only because of its antiquity, but also

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SEC and the Stockholder

By EDWARD H. CASHION*

Chief Counsel, Corporation Finance Division, SEC

Commission spokesman asserts Federal regulation needed to compensate for shortcomings of former State controls. Emphasizes as fundamental Commission's concentration on disclosure rather than on merits of issues. Pleads for stockholder interest in Commission's legislative amendment program.

Thank you for this welcome opportunity to speak before you this afternoon. It is all too seldom that we at the Commission have the chance to talk with organized groups of investors about their consumer problems in the securities market. The chief reason for this is, I suppose, the fact that organizations such as yours are very few in number. This dearth of organized investor bodies is, in my opinion, much to be regretted, for I think that your type of organization can do much to educate the investor regarding his rights and his means of protecting himself in the securities market. I assume that if investors generally were not so passive about the problems directly bearing upon their interests, there would be more vocal and truly representative organizations acting on their behalf. Issuers and merchandisers of securities, being more intent and active in their own interests, do not appear to have the investors' organizational difficulties.

Edward H. Cashion

This afternoon I should like to discuss with you, in a very general way, the why and the wherefore of some aspects of the laws adopted by Congress for investor protection, the role the Commission plays to make these laws operative, and the role the investor must play to make them effective and protect himself.

*An address by Mr. Cashion before the Investors League, Inc., Forum, New York City, May 22, 1947.

The Market and the Country's Obligation

Although I think the Federal securities laws in a very real sense protect the merchandisers of securities, they were primarily enacted for the protection of investors. The Congress saw to it that this primary purpose would not be overlooked or lost sight of in the administration of the Securities Act of 1933 and the Securities Exchange Act of 1934. In no less than 68 separate places the phrase "for the protection of investors" is imprinted upon these Acts. In my mind it is imperative that all investors should know, not only that these Acts exist for their protection and are enforced in their interest, but also the type of safeguards which the Acts afford them and the attendant obligations they must assume.

As we all know, the securities market has played a very vital part in the growth and development of this country. It has afforded a ready medium whereby investor capital can be placed behind production in growing industrial and utility corporations, and has also afforded an ever present mart where security holders might dispose of their

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Business Man's Bookshelf

How Successful Traders Make Money in Stocks—Michael J. McLaughlin—Mack Publishing Co., 25 Broad Street, New York 4, N. Y.—$2.00.

Canada 1947—Official Handbook of present conditions and recent progress—distributed by Wood, Gundy & Co., Inc., 14 Wall Street, New York 5, N. Y.—paper.

Depreciation Policy and the Postwar Price Level—Machinery & Allied Products Institute, 120 South La Salle Street, Chicago 3, Ill.—paper—25¢ (lower rate for quantity orders).

Foremen's Unions—A New Development in Industrial Relations—J. Carl Cabe—Bureau of Economic and Business Research, University of Illinois, Urbana, Ill.—paper.

America's Needs and Resources—J. Frederick Dewhurst and Associates— a 20th Century Fund survey of our economy in all its fields—The 20th Century Fund, 330 West 42nd Street, New York 18—$5.

Ellis O. Thorwaldson Now With Livingstone & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Ellis O. Thorwaldson has become associated with Livingstone & Co., 639 South Spring Street. Mr. Thorwaldson was formerly with Blyth & Co., Inc. and prior thereto was with Bankamerica Co. and Hannaford & Talbot.

With Hicks & Price

Special to THE FINANCIAL CHRONICLE

CHICAGO, ILL. — Theodore Donaldson has been added to the staff of Hicks & Price, 231 South La Salle Street, members of the New York and Chicago Stock Exchanges and other leading Exchanges.

Mitchell, Hutchins Adds

Special to THE FINANCIAL CHRONICLE

CHICAGO, ILL. — Henry C. Wood has become affiliated with Mitchell, Hutchins & Co., 231 South La Salle Street, members of the New York and Chicago Stock Exchanges and other exchanges.

Joins Union Security Co.

Special to THE FINANCIAL CHRONICLE

CHICAGO, ILL. — Benjamin F. Musser has joined the staff of Union Security Co., 29 South La Salle Street.

Investors Are People

By HAROLD S. SUTTON*

Treasurer, Consolidated Edison Co. of N. Y., Inc.

Corporate official declares stockholders must be cultivated as supporters of private enterprise system. Pleading for good stockholder relations, he asserts the better they understand their company's business, the more effectively their "hired men"—the management—can carry on the enterprise in their behalf.

At the outset this morning I would like to consider a term that clutters up a good deal of the literature and discussion on the subject of management-stockholder relations. I refer to the term "average investor." Is there such a person as an average investor? I doubt it, just as I doubt the existence of the "average man in the street," or the "typical consumer" we hear so much about. No, it seems to me that if all these public opinion polls mean anything, they mean that people can not be resolved into a statistical average. Large sections of the population may be broken down into groups, but not averaged.

Harold S. Sutton

To try to show you why there is not—why there can not be—an average stockholder in the large American corporation with widely scattered holdings, let me take my own company as an example. Our stockholder picture is probably not far different from that of most of the companies whose representatives are appearing on this forum.

We have a total of 155,000 stockholders. Of these, 89% are individuals, the remainder banks, insurance companies, investment trusts, brokerage firms, corporations, and so on. Of the individuals, there are three women for every two men. Now let me ask the men here, is there any such thing as an "average woman?"

Take the matter of the size of the individual holdings. In our company individual holdings run all the way from one share to several thousand. A little over half of these individual holders have less than 30 shares. We have stockholders whose dividends from their investment are as little as $1.60 a year. There is one stockholder—a woman—who receives $53,000 a year. This certainly would indicate that the interest of an individual stockholder may be extremely casual, or it may be of the first magnitude, as related to his total assets or income. What would an average mean here?

It seems obvious, too, that the method by which one acquires stock in a company would have a good deal to do with his interest as a stockholder. There are three ways in which an individual may acquire stock in a company—by voluntary purchase, by gift or inheritance, or by distribution as a dividend from another company. The last-named is not common, but I mention it because it has occurred on several occasions in the case of our company.

*An address by Mr. Sutton at Investors League, Inc. Forum, New York City, May 22, 1947.

Those who purchase the stock voluntarily may fall into one of several categories. There is the person who buys for investment. The reason that he buys your company's stock rather than someone else's may be largely chance. At any rate, he thinks the company is sound and the stock pays a good return. Many times, it is as simple as that. Then there is the person who bought your stock because he hoped—perhaps got a tip—that the stock was going up in price. It didn't go up—or it did go up, then maybe went down, but he hung on—so he is now what might be called an "involuntary investor." I submit to you that his interest in, and his loyalty to, the company is likely to be tinged with disappointment and chagrin. Then there is the "in-and-outer." Evrey corporation's stock books will reveal plenty of these. He is obviously using your stock for speculation—or else he has a son-in-law in a brokerage house!

So it seems to me that, looking at the matter realistically, the corporation must discount the casuals, the outright speculators, the involuntary investors and so on, and direct its stockholder relations efforts toward the bona fide investors on the list, those who are using your stock as a medium of investment. And when you do

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The Stockholder and the NYSE

By JOHN HASKELL*

Vice-President, New York Stock Exchange

The New York Stock Exchange serves the stockholder of a listed company in many ways, but most of these grow out of two important and essentially distinct relationships.

John Haskell

Stockholders are probably most conscious of their own direct relationships as independent investors with the Exchange as a market place where, at their own will and convenience, they can sell their holdings, or add to them. There also they can see the market prices of their stocks as established by a continuing auction, disseminated throughout the nation and abroad by highly developed electrical machinery, radio, and the press. This is the chief function of the Exchange to the stockholder, for, by providing him with a free and open market, it gives him the means to turn his stock into ready cash or other stocks when his own judgment dictates. He can not always get the price he wants what is set by the auction, but he is not enslaved in involuntary ownership of a company he does not like. The existence of a free market makes the tens of millions of stockholders of listed corporations themselves free.

*An address by Mr. Haskell before the Investors League, Inc., Forum, May 22, 1947.

The other chief relationship of the Exchange to stockholders is indirect, stemming from the relations between the Exchange and the 1,200 companies which have listed their shares. Listing helps the company by facilitating its financing, broadening its ownerships, advertising its name or product and in other ways that serve its stockholders by advantages to the company.

But more than this, the New York Stock Exchange, through its listing requirements serves the public stockholder by fostering standards or corporate procedure that are designed in his particular interests.

Protection Through Listing Rules

Mr. Cashion has outlined some of the aspects of the SEC's policies for the protection of investors. The '33 and '34 Acts rest, as do many of the Exchange's requirements on the principle of full disclosure which is now so basic as to be accepted as a matter of course. Before these acts, with no uniform or national law of incorporation, and with many state legislatures vying with one another to make it easy for companies to incorporate in their jurisdictions, only the Exchange's listing rules provided for such things as consolidated financial statements, annual audits by independent public accountants, and

(Continued on page 28)

Real Estate Securities

Only a major depression can really seriously dampen the prospects for reasonable profit-making from investments in real estate securities, according to one exceptionally well-informed analyst in the field. The very bottom of the entire market in securities generally and everything else, too, would have to drop out completely, that is, according to this view, before the various factors underlying the securities market in real estate which are described as strong now can weaken appreciably.

The recent declines in the prices of real estate securities are to be interpreted more as adjustments to the general price level than as indications of impending collapse in the business of existing properties, the analyst feels. The current shrinkage in the prices of these securities probably means only that yields are going to be higher, he holds.

Naturally, to try to forecast the trends which business will take, the analyst thinks, is like looking into a crystal ball. On the whole, however, in his opinion, the outlook for the future of business generally and of real estate in particular, that is, real estate represented by securities outstanding in the market, is very bright. Investors who are smart will buy securities when they can be had as bargains at the low point of the "valley" in the turn of the business cycle, he declares. The reason why so many people get hurt in their dealings with the stock markets, he reasons, is that they buy too late, in the first instance, that is, they buy at the top of the upswing in the cycle, and then sell too late, that is, after the shakedown in prices has proceeded far. It may be 1948 before the general public really gets back into the market again in numbers, he thinks.

Mr. General Public will probably concentrate for a while on buying various commodities, such as washing machines and automobiles, which he has been wanting to purchase for a long time but which are only now beginning to come on the market in volume, he feels. The various forms of consumer credit will probably help him to finance these purchases and there will undoubtedly be a great expansion of consumer credit all over the country, he points out further. Having lost some of his surplus funds in the stock market decline, he will need this credit, but by next year surely he will be in a position to reenter the stock market, the analyst declares.

The prospects for new home construction are not good at all, the analyst points out. The G.I. building program has collapsed and the new program sponsored by the FHA encouraging the construction of small rental housing units will likewise collapse, he thinks. Basing its new plan on HOLC experience, the FHA is advocating amortization of the debt over a period of 33 years which seems like an excessively long period of time; anticipating difficulty, it is also promising insurance companies that it will trade its own bonds for properties as they acquire which fall into default, he says. However, high costs of construction will not make it profitable for investors to put up rental housing units of the type contemplated, he claims.

Construction costs are high and are going to remain so for a long time, he feels, because the building industry must now and will continue to compete with other businesses for labor and for materials. The cost of construction of major building projects is running around $1.25 to $1.50 a cubic foot now compared to $1.00 in 1939 and 80c in 1926, he points out. There just isn't going to be any new construction in any field, he holds, and such construction as there is must contend with the lower-rent competition which existing structures can give it. Rents on commercial structures would have to double before new construction would become profitable in that field, he says. The better financial positions in which many older properties themselves, due to steady earnings at high levels during the war period plus the competitive advantage the older properties hold over possible new structures because of the amount of money which must go into a new structure combine to make many real estate securities really profitable avenues for investment, he thinks.

Buckley Brothers Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Buckley Brothers, 530 West Sixth Street, have added Samuel Welsh to their staff.

With First California

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Frederick J. Wilson has become connected with First California Co., 510 South Spring Street. Mr. Wilson was formerly with R. F. Ruth & Co.

E. F. Hutton & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Oscar M. McClure has been added to the staff of E. F. Hutton & Co., 623 South Spring Street.

Shelby Davis Heads Analysts Association

N. Y. Unit also votes to cooperate with Boston, Philadelphia, Providence, Chicago groups.

Shelby Cullom Davis was elected President of the New York Society of Security Analysts at its annual meeting May 27. Mr. Davis, who succeeds Pierre R. Bretey, was former Deputy Superintendent of Insurance of New York State. He recently formed the Stock Exchange firm of Shelby Cullom Davis & Co.

Shelby Cullom Davis

It will be recalled that when Mr. Davis purchased his Stock Exchange seat for only $33,000 in January 1941, he publicly explained his faith in the long-term prospects of Exchange business.

Other officers chosen by the Analysts are: Glenelg P. Caterer of Lionel D. Edie & Co., as Vice-President; Edwin L. Thompson of Tucker, Anthony & Co. as Secretary, and Marvin Chandler of Reis & Chandler as Treasurer. Those elected as members of the Executive Committee are Joseph M. Galanis of Shields & Co., W. Truslow Hyde, Jr. of Josephthal & Co., Oscar Miller of General American Investors, Irving Kahn of J. R. Williston & Co., John Stevenson of Salomon Bros. & Hutzler, and Charles Warren Caswell of McGinnis, Bampton and Sellger.

The Society, after lengthy discussion, voted to effect a complete redecoration of its meeting quarters in Schwartz' Restaurant building. It was also decided to work in close cooperation with security analysts' associations of Boston, Providence, Philadelphia, Chicago and other large cities.

Dunne to Admit Vogan

John V. Dunne & Co., 120 Broadway, New York City, members of the New York Stock Exchange, will admit Howard Vogan to partnership in the firm on June 5th. Mr. Vogan will acquire the New York Stock Exchange membership of James N. Wallace.

Joins Davies & Mejia Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Raymond W. Colvin has become associated with Davies & Mejia, Russ Building, members of the New York and San Francisco Stock Exchanges. Mr. Colvin was formerly with Walston, Hoffman & Goodwin, and First California Company.

With Wyatt, Neal & Waggoner

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, GA.—Ronald E. Ledwell has been added to the staff of Wyatt, Neal & Waggoner, First National Bank Building.

Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Building Fiasco—Study of the current situation in the building industry—Seligman, Lubetkin & Co., Inc., 41 Broad Street, New York 4, N. Y.

Canada 1947 — Official Handbook of Present Conditions and Recent Progress — distributed by Wood, Gundy & Co., Incorporated, 14 Wall Street, New York 5, N. Y.

Chart Patterns — Memorandum —Hirsch & Co., 25 Broad Street, New York 4, N. Y.

Fire Insurance Securities — Study in the current issue of "Monthly Market Letter"—Goodbody & Co., 115 Broadway, New York 6, N. Y.

How Successful Traders Make Money in Stocks — Michael J. McLaughlin — Mack Publishing Company, 25 Broad Street, New York 4, N. Y.—$2.00.

Over-the-Counter — A monthly review containing municipal and corporation news of securities local to the Kansas City market—Burke & MacDonald, 907 Walnut Street, Kansas City 6, Mo.

Railroad Developments of the Week—Memorandum of comment —Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

* * *

Artkraft Manufacturing Corp — Data available to dealers only—Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

Aspinook Corporation—Circular —Ward & Co., 120 Broadway, New York 5, N. Y.

Also available are memoranda on **Lanova Corp.** and **Taylor Wharton Iron & Steel; Purolator Products; Upson Corp.; United Artists; Vacuum Concrete; Barcalo Mfg.**

Bank of America—Special report—Walston, Hoffman & Goodwin, 265 Montgomery Street, San Francisco 4, Calif.

Also available are special retors on **Bullock's Inc., Puget Sound Pulp and Timber, St. Regis Paper Company, Union Bag and Paper Corporation,** and **Victor Equipment Company.**

Central Public Utility Corp.—Engineer's estimate of future earnings—Brailsford & Co., 208 South La Salle Street, Chicago 4, Ill.

Central Public Utility—Recent review—Fred W. Fairman & Co., 208 South La Salle Street, Chicago 4, Ill.

Deep Rock Oil Corporation — Memorandum — Doyle, O'Connor & Co., 135 South La Salle Street, Chicago 3, Ill.

Detroit & Mackinac Railway Company—Bulletin on comparative Income Account — A. W. Benkert & Co., Inc., 70 Pine Street, New York 5, N. Y.

Eastern Corporation — Memorandum—Buckley Brothers, 1420 Walnut Street, Philadelphia 2, Pa.

Also available are memoranda on **Colorado Milling & Elevator Co.** and **Bird & Son, Inc.**

Fashion Park, Inc.—Analysis—Seligman, Lubetkin & Co., Inc., 41 Broad Street, New York 4, N. Y.

Also available are analyses of **Tennessee Products and Consolidate Dearborn.**

Finch Telecommunications — Analysis—Troster, Currie & Summers, 74 Trinity Place, New York 6, N. Y.

Fire and Casualty Insurance Stocks earnings comparison for 1946—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Fleetwood-Airflow, Inc.—Memorandum—Amos Treat & Co., 40 Wall Street, New York 5, N. Y.

Fort Wayne Corrugated Paper Co. common stock — Descriptive brochure—David A. Noyes & Co., 208 South La Salle Street, Chicago 4, Ill.

Franklin County Coal Corp.—Detailed analysis — Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

Also available are analyses of **Hydraulic Press Mfg. Co., Long Bell Lumber Co., Miller Manufacturing Co.,** and **Old Ben Coal Corporation.**

R. Hoe & Co.—Analysis—Adams & Co., 231 South La Salle Street, Chicago 4, Ill.

Peaslee-Gaulbert Corporation—Memorandum on operating statements—The Bankers Bond Co., Inc., Kentucky Home Life Building, Louisville 2, Ky.

Public National Bank & Trust Co.—First quarter analysis—C. E. Unterberg & Co., 61 Broadway, New York 6, N. Y.

Also available is an offering circular on **Stern & Stern Textiles, Inc.** and an analysis of **Rome Cable Corp.**

Rayonier, Incorporated — Memorandum—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Saco-Lowell Shops—Analysis—Estabrook & Co., 15 State Street, Boston, Mass. and 40 Wall Street, New York 5, N. Y.

61 Broadway Corp. — Special study of capital stock—Amott, Baker & Co., Inc., 150 Broadway, New York 7, N. Y.

St. Louis-San Francisco Railway—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Terra-Life — Circular—Caswell & Co., 120 South La Salle Street, Chicago 3, Ill.

United Aircraft Corporation — Memorandum—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

Utica & Mohawk Cotton Mills Inc. — Circular — Mohawk Valley Investing Co., Inc., 238 Genesee Street, Utica 2, N. Y.

Wilcox-Gay Corporation — Detailed memorandum — Aetna Securities Corporation, 111 Broadway, New York 6, N. Y.

Also available is a memorandum on **York Corrugating.**

Joins Hulburd, Warren Co.

Special to THE FINANCIAL CHRONICLE

FLINT, MICH.—William R. Stokley has joined the staff of Hulburd, Warren & Chandler, 346 South Saginaw Street. Mr. Stokley was formerly with Goodbody & Co.

How to Link Stockholders and Management

By B. C. FORBES*
President, Investors League
Publisher, Forbes Magazine

Mr. Forbes proposes as link between stockholders and management the appointment or election of "professional directors" who would represent interests of rank-and-file stockholders. Wants proposed resolutions of corporation directors embodied in proxy statements and advocates regional stockholders meetings.

Our Captains of Industry, through unpardonable negligence, have contributed to the menace which in recent years has overhung preservation of our Free Enterprise System—and still overhangs.


B. C. Forbes

Our Captains of Industry have shortsightedly failed to cooperate in organizing a vast army of investors, readily recruitable, to fight against unfair attacks by highly organized labor, as well as by the Administration, against the many millions of thrifty, self-denying individuals and families of modest means whose savings have made possible the development of the United States into the strongest, wealthiest, most productive nation in the world.

The supplying of such capital—it takes over $7,500 to provide the average job in our manufacturing industries—has been alarmingly drying up during the last dozen years. Investors, stockholders, have not been accorded an equitable deal by labor leaders or by leaders and agencies in Washington.

Although investors far outnumber union membership, they have been without an effective megaphone, have been without a united voice at Washington. Consequently, their influence has been almost nil, infinitesimal in comparison with strongly-organized groups.

The time has come to remedy this defect in our national structure, our national economy.

Leadership palpably should be shouldered by industrial and other business managements and directorates.

What specific steps can and should be taken to remedy this lethal weakness, to mold stockholders, investors, into an effective efficient organization?

The responsibility for attaining this momentous objective rests primarily upon enlightened managements and directorates.

As President of the Investors League, may I, however, proffer a few constructive suggestions designed to link stockholders, the real owners, closer to managements designed to bring about greater actual, instead of today's theoretical, democracy in industry, designed to fortify industrial and other managements in their battles with organized labor and

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*An address by Mr. Forbes before Investors League, Inc. Forum, New York City, May 22, 1947.

Management-Stockholder versus Union-Worker Relations

By MATTHEW WOLL*
Vice-President, American Federation of Labor

Labor leader declares union practice is more democratic than is corporate behavior, as seen in latter's concentration of power through directorial election system. Asserts management engages in more autocratic irresponsible action than does labor. Pleads for organization of "the little people" in both trade and investor unions.

I will want to approach, from a somewhat different point of view, the subject of management-stockholder relations and its potentialities for promoting the free enterprise system by serving all classes of citizens. As one active in the labor movemet, this occasion presents an excellent opportunity to make some comparisons between the management-stockholder relationship on the one hand and the union officer-union member relationship on the other, with particular regard to their respective responsibilities not only as between themselves but in respect to the general public.


Matthew Woll

It is quite necessary to stress the obvious fact that there is a direct analogy between the status and functions of the managing officers of corporate enterprises on the on hand and the directing officers of a labor organization on the other as far as their respective relationships to the stockholders and rank-and-file membership are concerned. In both instances both sets of officers must act for and on behalf of the latter groups respectively; the stockholders of a corporation as well as the membership of a labor organization entrust to these officers responsibility to exert their utmost efforts in protecting and advancing their economic interests. Thus, both sets of officers occupy a position of high trust and responsibility.

In recent years it has become somewhat fashionable to assert that union leaders have become autocratic in their actions and that they often act without regard for or consultation with the union membership at large. Various legislative curbs have been suggested in this respect and some have been enacted. But what is the fact in regard to how responsive union officers are to the wishes and desires of the membership and how does that responsiveness compare to that of a corporate officer to his stockholders?

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*An address by Mr. Woll before Investors League, Inc. Forum, New York City, May 22, 1947.

Stresses Fear of High Profits Unwarranted

Publication of Guaranty Trust Company of New York points out fallacy of belief that profits do not contribute to purchasing power and holds arguments for lower prices and higher wages to reduce profits are unwarranted. Says profits are not too high.

"The greatest enemies of free enterprise in America are not its avowed opponents but its supposed friends who fail to understand its essential conditions," states the Guaranty Trust Company of New York in the current issue of "The Guaranty Survey," its monthly review of business and financial conditions in this country and abroad.

"The weaknesses and evils of communism and fascism are clearly seen and strongly disliked by the overwhelming majority of our people, and they are not at all likely to be voluntarily accepted in the foreseeable future. But they could be gradually forced upon us by chronic industrial stagnation due to our own failure to leave free enterprise free.

"One of the most striking and significant features of the wage-price controversy that has been under way since the end of the war is the strangely fearful and distrustful attitude toward business profits that seems to underlie and pervade much of the discussion. This attitude appears in statements by labor organizations, by government officials and agencies, by private economists, and even occasionally by businessmen themselves. It is not merely that business concerns are conceived to be unfairly enriching themselves at the expense of their employees, although this idea is of course frequently emphasized by labor leaders in wage disputes. Nor is it merely that business is believed to be able to afford to reduce prices and thereby offset inflationary tendencies, although this point is repeatedly stressed by public officials, from the President down.

"The fear of profits goes deeper than this. It rests on the belief that income in the form of profits and other returns to capital, unlike income in the form of wage and salary payments, is not fully and promptly spent for goods and services. Too much of it is saved. This portion, it is held, does not contribute its full share to the demand that is necessary to maintain production and employment at high levels. The higher profits are, the greater is this supposed deficiency of demand. And since production and employment cannot be maintained unless the goods produced are in demand, high profits are regarded as constituting a positive force making for depression.

The Prewar Attack on Profits

"The theoretical validity of this doctrine is still a subject of controversy among economists, and its bearing on practical economic affairs is even more uncertain. The Federal Government, however, lost no time in making it a cornerstone of economic policy in the years of depression that preceded the war. More than $30 billions of borrowed money was spent in the effort to put idle funds to work. Taxes on corporation profits and on individual incomes in the higher brackets were sharply increased. Corporate earnings distributed as dividends were taxed twice—once as income to the corporation and once as income to the stockholders. The bargaining power of labor organizations was strengthened by law and by administrative policy. Minimum-wage legislation was passed. An attempt was made to force the distribution of corporate

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Urges NSTA Improve Relations With SEC

R. Victor Mosley, its President, recommends over-the-counter segment of securities industry follow policy of organized listed market.

In an address on May 20 at a luncheon meeting tendered by the Security Traders Association of Los Angeles, which was also attended by members of the National Association of Securities Dealers and the Investment Bankers Association, R. Victor Mosley, President of the National Security Traders Association, Inc., who is touring the Pacific Coast for the purpose of discussion of current problems, urged that the over-the-counter segment of the securities industry follow the example of the organized listed branch in cultivating closer relations with the Securities and Exchange Commission and to take further steps to improve its relation with the public.


R. Victor Mosley

Pointing out that there is a much greater volume of business transacted in the over-the-counter market than in listed securities, Mr. Mosley said he is strongly of the opinion there is a real need for better representation of that phase of the industry than is being accomplished at present.

He added that membership in the NSTA now was about 3,500, scattered throughout the country and that they were desirous of doing something for the good of the unlisted security business and to participate in activities which, in many cases, were being neglected by the National Association of Securities Dealers and the Investment Bankers Association.

Mr. Mosley in his tour of the Pacific Coast is accompanied by Edward H. Welch, Secretary of the NSTA, and Edward E. Parsons, Jr., member of the Executive Council and a past President of the organization.

Joins Chesley Staff

Special to THE FINANCIAL CHRONICLE

CHICAGO, ILL.—Jack Frankel has become associated with Chesley & Co., 105 South La Salle Street. Mr. Frankel was formerly with Howell, Anderson & Co. and Carley & Co.

Mutual Funds

By HENRY HUNT

The Paradox of the Stock Market

"A year ago common stocks were in vogue. Hardly a day passed that some new piece of equity financing didn't appear—and many of them sold at a substantial premium before the books were closed. Yet conditions at that time were not particularly conducive to a bullish attitude. Strikes had crippled production in the steel and automotive industries during the first quarter and the labor outlook was far from bright. Reconversion problems still had to be solved by many corporations. Earnings on the 30 Dow-Jones Industrial stocks for the preceding two quarters were at an annual rate of only $9.32, or 4½% on its market level at that time.

"Today, the average investor wants no part of a common stock. New equity financing is virtually at a standstill. The labor outlook, while still not satisfactory, has been largely clarified. Plant reconversion problems are a thing of the past. Yet earnings on the 30 Dow-Jones Industrials for the two preceding quarters are now at an annual rate of $19.22, better than 11% on its present market level—paradoxically, 2½ times the rate of a year ago.

"Obviously, few investors expect the present rate of earnings to be maintained. This belief together with the high break-even point of industry today probably accounts for the present lethargy of the stock market despite current banner income accounts.

"If the widely publicized recession really gets going, it is possible that industry will lay off three or four million men, thus enabling it to lower prices—yet still maintain or increase its present output. A man works harder when he is afraid of losing his job."

(Quoted from "National Notes" written by Henry Ward Abbot of **National Securities & Research Corporation.**)

Petroleum: Growth Industry

Calvin Bullock's "Perspective" comments on the outlook for the petroleum industry and concludes as follows: "Despite the fact that market prices of oil equities are close to their historic highs, one must not overlook the growth aspects of the industry. For example, the composite oil stock has a current market price of $46.87 as compared with an average price of $30.91 in 1939, a year in which the market was on the low rather than high side. Over the same period, however, the book value of the composite oil stock has increased from $33.68 to $42.67 despite substantial charge-offs during this period for amortization of emergency facilities. In 1939, the domestic production of crude was 1,265 million barrels; in 1946 it was 1,733 million barrels, a gain of 37%; and by 1950 it is estimated that demand for crude will increase to around 1,900 million barrels. In other words, the current high level of earnings of oil equities is not due alone to abnormal boom conditions, but also reflects the growth trend of the industry, and these factors of growth should not be overlooked in appraising the value of oil equities over the uncertain period that lies ahead."

6% Compound Interest— Try and Get It Today

Lord, Abbett's "Abstracts" relates the following story about the purchase of Manhattan Island. "The Indian chief who completed the transaction whereby the Dutch purchased Manhattan Island 321 years ago today for $24 in trinkets wasn't a thrifty business man—he didn't know his compound interest.

"Statisticians figure that if the chief had converted the trinkets into cash and deposited the $24 in a bank and left it there, his descendants would have more money than the present day assessment of Manhattan Island.

"At 6% compound interest (the most common rate in the last 300 years) the Indians' $24 would have grown to $4,185,135,331 today. And since the land in Manhattan has assessed value of only $3,540,630,880, the Indians would have been ahead of the game by $644,504,451."

Notes

Wellington Fund comments on the fact that the cost of buying and selling one share each of the 30 Dow-Jones Industrial stocks would amount to 8.4% of the purchase price.

First Mutual Trust Fund reports net assets of $4,410,000 as of April 30, 1947, divided as follows: 40% Cash and Receivables; 1% Preferred Stocks; 59% Common Stocks.

Group Securities has a new folder on Railroad Bond Shares.

Lord, Abbett's American Business Shares reported net assets of $30,924,000 on April 30 divided as follows: Prime Bonds 19.8%; Other Bonds 17.6%; Stocks 62.6%.

As of March 31, 1947 the portfolio of **Commonwealth Investment Company** was divided as follows: Cash and governments 14.6%; Corporate Bonds 9.2%; Preferred Stocks 12.6%; Common Stocks 63.6%. A total of 196 different securities was held in the portfolio.

Joins F. L. Putnam Staff

Special to THE FINANCIAL CHRONICLE

BOSTON, MASS.—Thomas N. Good has become affiliated with F. L. Putnam & Co., Inc., 77 Franklin Street, members of the Boston Stock Exchange. In the past Mr. Good was with Soucy, Swartswelter & Co.

With Crowell, Weedon Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Norman E. Jackson has become associated with Crowell, Weedon & Co., 650 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Jackson was previously with Dean Witter & Co.

Mitchum, Tully & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Edward J. Spillane has become associated with Mitchum, Tully & Co., 650 South Spring Street. Mr. Spillane was formerly with First California Co.

Now With Mason Bros.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Maurice E. Simpson has been added to the staff of Mason Brothers, Central Bank Building, members of the San Francisco Stock Exchange.

With Weil & Co., Inc.

Special to THE FINANCIAL CHRONICLE

NEW ORLEANS, LA.—Charles D. Hosemann is with Weil & Co., Inc., 830 Union Street.

London Still Leader In World Finance

By PAUL BAREAU*

Deputy City Editor, London "News-Chronicle"
Joint Editor "The Banker," London

British financial authority points out London's overseas banking services in 1946 brought in an income of £30 million, part in hard currency. Ascribes revival of British world banking to unwillingness or inability of American banks to handle business. Says sterling is still an anchor of value, and expresses confidence in cohesion of Sterling Area. Sees advantage in close collaboration of British Treasury and Bank of England arising from nationalization of latter.

Bankers are by tradition and upbringing a modest set. They know little of the arts of publicity. No other industry has made such an effective job of its reconversion to peacetime duties as international banking. During the war these activities fell to abysmally low figures. The government handled most of our foreign trade; shipping, the trade in bullion and in international securities. Many of our overseas banks found the territories in which they operated overrun and occupied by the enemy.

Paul Bareau

There has been a vigorous recovery—a recovery the magnitude of which has astonished many very highly placed people in the City. In some ways it has even been an embarrassingly good recovery because it has called for an extension of short-term overseas credit on a scale which may seem to tax our decidedly exiguous external resources. But if the recovery has been almost too rapid, let us harbour no apprehensions. We have to live a little dangerously—make a few acts of faith—and this resumption of London's role as a world banker, even if it does involve a little overextension, is surely the finest kind of risk.

In the 10 years before the war overseas banking services earned this country an income which averaged between £15 and £20 million a year. Last year that income has risen to about £30 million, much of it earned in hard currency. In the 1930's the volume of bills on London drawn on overseas account averaged £150,000,000. Towards the end of the war it had fallen to about £12,000,000. Now it probably totals over £200,000,000.

Causes of Recovery

What accounts for this astonishing recovery? It is astonishing because Sterling is not quite what it was! Its position has been undermined by the sale of overseas assets, by the overseas debts incurred in saving ourselves—and others—in the war. It is not the

(Continued on page 44)

*An address by Mr. Bareau at a meeting sponsored by the London Liberal Party, London, England, May 15, 1947.

We Must Prevent Doom and Bust

By LEON HENDERSON*

Former OPA Administrator and SEC Commissioner
Chief Economist, Research Institute of America, Inc.

Former Government Administrator states "irresponsible" Congress gave us insane inflation; industry has scuttled housing program; mills are closing down, and retail sales are declining. Charges Congress Republicans and Southern Democrats with passing anti-liberal deflationary measures. Advocates: (1) Reduction by Government order of prices by 10% and construction costs by 20%; continuation of rent control; support of farm rices; tax reduction for low income groups; widespread adoption of 15-cent hourly "wage package"; extension of foreign lending, and vast public housing.

A "doom and bust" psychology seems to be dominating America today. It carries with it a spreading fatalism for many persons in responsible positions — a fatalism which paralizes tested actions which might be taken to forestall, mitigate or insure against potential disasters.

Leon Henderson

Let's trace the development of this "doom and bust" attitude.

In early 1946, it was possible to take the position that transition from war to peace could be achieved without alarming dislocations. Economic factors favored this possibility. Peacetime full employment was in sight after years of strain and almost despair. Peacetime production was never higher and it was rising. A balanced budget was in sight. The price level, despite assassination threats, was manageable. Business spending, financed by generous tax treatment, was surprisingly vigorous. The inventory pipe lines were hungrily crying to be filled. A war-devastated world was seeking our goods. There were bright prospects that, by keeping sacred promises to veterans, a steadily climbing housing activity would fill gaps left when consumer goods demands had been met.

Above all—by passing the Full Employment Act, the Government seemed to be guaranteeing that its immense resources would be available if depression ever threatened again.

Prophecies of Doom

Reviewing this rosy outlook—how is it possible that the prophets of doom and bust have commanded attention?

They smell bankruptcy ahead

(Continued on page 47)

*A speech by Mr. Henderson at Anti-Inflation Rally of Americans for Democratic Action, New York City, May 22, 1947.

Distortions in Price Structure

Alfred P. Sloan, Jr., Chairman of General Motors Corporation, tells stockholders essential adjustments can be brought about by pressure of goods on prices, and not by propaganda on economic relations. Sees higher auto prices if production falls off.

Addressing the annual meeting of General Motors stockholders at Wilmington, Del., on May 27, Alfred P. Sloan, Jr., Chairman of the Board of the Corporation, attacked the "emotional appeals" for price reductions and asserted the main issue of price distortions and pressure for higher wages cannot be met by these methods.


Alfred P. Sloan, Jr.

In commenting on prices, Mr. Sloan stated that "there is much discussion at the moment as to whether present prices are justified. And there is much exhortation directed to their reduction. Such emotional appeals indiscriminately directed will have little real and permanent benefit unless supported by sound economic reasoning as applied to each individual set of circumstances. Prices might be divided into two groups: one, those covering goods whose prices are sensitive to supply and demand in which speculative influences are important and, second, those goods whose prices are primarily determined by costs, although modified by competitive values. In the former category belong raw materials and foodstuffs; in the latter, manufactured goods especially in the mass production industries. An examination of the facts clearly indicates that price reductions on manufactured goods cannot possibly meet the main issue of distortions in the price level nor can they remove the pressure for higher wages because of increased living costs. The weighted influence of manufacturing costs on the cost of living is less important than that of foodstuffs and raw materials. The increase in the price level of manufactured goods is not out of line with the general trend. The facts are inescapable that indiscriminate criticism of the prices of manufactured goods cannot be justified by the facts.

"This appears clear" he continued, "from reports of the Bureau of Labor Statistics based upon prewar prices of August, 1939, showing that farm prices as a whole have increased 187%, with wheat as much as 300%; raw materials in general 141%; iron and steel prices 33%; while manufactured goods have increased 80%. The conclusion is inescapable that, on the basis of prewar relationships, prices of raw materials are too high in relation to finished goods, and farm products are too high in relation to factory products. The increased cost of

(Continued on page 48)

Economic Control and Political Freedom

By CHARLES E. WILSON*
President, General Electric Company

Leading industrialist sees in present situation a choice between a Fascist-Communist planned economy and a democratic free enterprise system. Says planned economy of New Deal "has been regurgitated at the polls and elsewhere." Points out though government in modern economy is needed, it must participate as an enforcer, and not as tyrant. Urges campaign to supply Congress with expert advice and a getting together under one tent of all segments of the economy. Attacks "tinkering in high places" with wages and prices, and says prices can only be reduced through lower costs or by a depression.

Mr. Justice Conway, of the New York Court of Appeals, recently had occasion to reassure and encourage a group of potential lawyers whom he was addressing on the day of their being sworn in as members of the New York Bar. They had been standing for a long time before the bench and obviously became a little restive as the Judge launched into his written remarks. What he said in effect was this: You may always be certain of two things about a written speech; first, that the speaker has given it his time and attention, which is not always true of spontaneous oratory; second, and most important, it has a beginning and an end.


Charles E. Wilson

In a somewhat kindred spirit, I would like to tell you first that my purpose now is to ask a question of a rather fundamental nature, which is: Can we have both economic control and political freedom? And then I would like to suggest an answer, which is that we can, if the economic control is supplied by business. Those will be my guide posts, and yours.

The late William Allen White, in discussing the economic program of the Neal Deal, once accused Franklin D. Roosevelt of "aiming at something of the same target at which both the Fascists and Communists are shooting; that is to say, the socialization of capital, the regimentation of industry and agriculture, and finally, a more equitable distribution of wealth, a guarantee of a minimum standard of living for all who have worked honestly." And on a later occasion the Great Kansas Editor-Reporter asked this question: "Can Government chain its dollars, harness them to the common good, and still retain free men and free institutions? It has never been done before. Political liberties always go down when economic liberty is circumscribed."

In these words, or rather in the train of thought which they put into motion, the representative Congresses of American Business, of which this body is one of the foremost, might easily find a text

(Continued on page 40)

*An address by Mr. Wilson before the general meeting of the American Iron and Steel Institute, New York City, May 22, 1947.

Says Investment Banking Monopoly Exists

Sen. Taylor, in address, accuses group centered in New York of stifling development of West. Reveals investigation is being conducted by Anti-Trust Division of Justice Department.

Senator Glen H. Taylor (D.-Idaho) charged tonight that "the development of the West is being stifled by the monopoly practices of a small but powerful group of investment bankers centered in New York." He stated that a group of investment banking firms have engaged in a conspiracy to control and monopolize the underwriting and sale of all new security issues of the principal businesses and industrial corporations in the country, in a speech delivered before the New Council of American Business at the Essex Hotel in New York last week.


Sen. Glen Taylor

The Idaho Senator revealed that the Department of Justice has been conducting a thorough investigation of anti-trust violations in the investment banking business, and predicted an early prosecution of monopoly practices in this field. According to Senator Taylor, "our people are concerned about the fact that the wealth of the West is owned and controlled from offices here in New York, rather than from offices in Boise, Salt Lake City, Spokane, Portland and Seattle. Our power companies, our railroads, our airplanes, our telephone companies, our chain stores and many of our industries are controlled not by the people who live among them, work among them and use them, but by a relatively small group of Wall Street financiers.

"As a group, the leading investment bankers parcel out business, decide which enterprise may or may not have access to large-scale credit, and set the prices, terms and conditions of sale at which companies may secure their capital and at which their securities are sold to the public. The leading investment houses form a tight little group, organized by custom and mutual understanding. They may quarrel among themselves, but they form a united front against any outsider, and whoever poaches on their preserves does so at his own grave risk. No one investment banking house has a complete monopoly, but the group of a dozen leading firms effectively dominates the business of investment banking. Corporations needing money and investors seeking securities to buy have to meet the banker's terms or go without."

He remarked further that "the great investment banking houses have access to confidential financial information unavailable to others. They receive secret monthly and quarterly reports from corporations which the ordinary stockholders never see. They interlock on the boards of numerous corporations and financial institutions.

"Thirty-eight leading investment bankers dominated the entire field, having sold in a five-year period in the 1930's 91% of all stock issues registered with the SEC and offered to the public. In other words, 5% of the investment houses dominated 91% of the business.

"Six leading firms: Morgan Stanley & Co., Inc., the First Boston Corporation, Dillon Read & Co., Kuhn, Loeb & Co., Smith Barney & Co., and Blyth & Co. constituting less than 1% of all the investment bankers in the United States, managed 57% of all the business. Morgan Stanley managed more than 23% of all the business.

"This select group of New York firms kept all the best business for itself. During the period referred to in the 1930's, no investment banking firm located outside of New York managed any first grade registered bond issues. The lower the grade of securities the larger the relative importance of the firms outside of New York City. The gravy was kept for the elect and the crumbs were dusted off to what they call the 'hinterlands.'

"The investment banker occupies a key position. A director of an industrial corporation who is also an important investment banker is in a position to decide as an industry man that the company should issue securities and sell them to himself as a banker. As an investment banker he is in a position to fix the price at which they are to be taken and the price they are to be sold to the public.

"The investment banker's first loyalty is not to the corporation on whose board he sits and to which his loyalty and fealty legally belong but to the investment banker he secretly represents. He is, in short, a Trojan Horse on the corporation's board of directors.

"This sort of 'protective' activity cripples efficiency of our industries. Inventions remain undeveloped, and advances in operating techniques and production are delayed. For example, the President of the Chesapeake and Ohio RR. has publicly charged that the introduction of air-conditioning into railroad coaches was discouraged because it would have forced the Morgan-controlled Pullman Company into 'what was stupidly regarded as unnecessary expense.' In short, the bankers are taking the word 'enterprise' out of their phrase: 'private enterprise.'"

Canadian Securities

By WILLIAM J. McKAY

The defiant gesture of the McIntyre Porcupine Mines Ltd., in hoarding its gold production instead of disposing of it at the current price does nothing to solve the Canadian or the world's basic problem. On the contrary such action which exerts pressure in the direction of currency devaluation only serves as an aggravating factor.

At this critical economic stage, which is highlighted by a grave world shortage of U. S. dollars every effort should be directed towards the fundamental correction of this situation. Currency devaluation and the raising of the price of gold would have a deleterious and not a beneficial effect. One of the main causes of the world's economic malaise is the high cost of essential imports from this country, and it would thus appear more logical for Britain and Canada to raise rather than to lower the value of their currencies vis-a-vis the U. S. dollar. Moreover any general upward revision of the price of gold would have disastrous repercussions in a world where inflation of currencies still goes hand in hand with a universal shortage of goods.

Tampering with the price of gold therefore can not be seriously considered except by minority interests which would benefit at the expense of the community at large. On the other hand as far as Canadian gold production is concerned the Dominion Government would be wise to devise further indirect assistance to this industry which has been so badly hit by the restoration of the Canadian dollar to its normal parity. The Canadian gold mining industry also would better serve the national interest as well as its own, by directing public attention to this alternative solution of its problem instead of vainly beating the devaluation drum and thereby undermining confidence in the Canadian dollar.

The Dominion government however has clearly demonstrated its course of action. Finance Minister Abbott in his recent budget speech ably defended the government's step in raising the value of the Canadian dollar and has since adopted measures, which despite adverse criticism, are devised to protect the current value of the national currency and the high standing of Dominion credit.

With Canada's important stake in the well-being of the world economy it is to the universal benefit that the Canadian financial policy is based on an intelligent comprehension of the basic issues. Apart from the adoption of defensive measures, a constructive step of far-reaching significance, would be the much discussed revival of the U. S.-Canadian Hyde Park Agreement. At this time Canada is the only country in a position to increase its exports to this country and this fundamentally sound method of increasing the external supply of U. S. dollars would serve as an encouraging example to the rest of the world.

During the week the market remained in the doldrums with quotations in the external section slightly lower and internals steady and unchanged. Free funds were again firmer as a consequence of the commencement of the tourist demand. Canadian gold stocks staged a brisk rally following renewed discussions in gold mining circles of possibilities for a higher price for their product.

Second Loan Rumors

By PAUL EINZIG

Dr. Einzig tells of rumors in Britain regarding new loan from U. S., despite denial by British Treasury that it is under consideration. Sees need for agreement regarding Sterling convertibility and settlement of Sterling balances. Holds Britain cannot afford to abandon bilateral agreements.

LONDON, ENG.—Throughout May a growing volume of rumors have been circulating in political circles in London about the possibility of a second loan in the near future. According to some quarters, somebody from Washington is already here to discuss preliminaries, and the British mission which is to proceed to Washington to negotiate the loan is already appointed. In usually well-informed circles it is believed that the Washington reports that the old loan would be converted into an outright gift and a new loan would be granted are not altogether devoid of foundation, even though they are premature.


Dr. Paul Einzig

Official quarters refuse to comment on any rumors or reports. The Treasury's line is that there is no question of a second loan, and that the Government has no intention of raising one. But very few people believe this. The proceeds of the old loan are being used up at an alarming pace, and the pace is expected to become materially accelerated after July 15 when sterling will become convertible. Sooner or later the Government will have to choose between raising another loan and cutting down food rations. And the country is not in a mood for additional austerity.

If, as seems probable, the Government intends to raise a second loan then obviously now is the time for doing it instead of waiting until the proceeds of the first loan are exhausted. So long as the Treasury still has more than half of the proceeds of that loan, in addition to its own gold reserve of some two billion dollars, it is in a relatively strong position to negotiate. Once the proceeds of the loan are exhausted and the Treasury's own reserve is being spent rapidly it may become inevitable to borrow on any terms.

In any case, the British attitude on several important and urgent matters must be influenced by the possibility of obtaining another loan. The interpretation of the convertibility clause in the loan agreement is still subject to exchanges of views between London and Washington. London cannot possibly afford to accept the liberal interpretation insisted upon in Washington unless the British dollar resources are reinforced substantially. And this matter will have to be decided within the next few weeks.

Likewise, the British attitude towards the funding of sterling balances is liable to be affected by the size of the British dollar resources. London cannot afford to cede many dollars to holders of sterling balances unless a second loan is obtained. For evidently the proceeds of the first loan are barely sufficient to cover Britain's own needs. As the resumption of debt negotiations is imminent, a decision on the question of a second loan is urgent.

Finally the trade discussions at Geneva are also apt to be influenced by the prospects of a second loan. Britain cannot afford to discard bilateral trading methods and to weaken Imperial preference unless its dollar reserve is sufficiently strong to make such sacrifices possible. So trade negotiations are bound to be held up until Britain knows whether it can afford to make the concessions demanded by Mr. Clayton.

It is assumed in London that the United States Government is willing to grant a second loan, provided that a large part of the proceeds will be passed on directly or indirectly to other countries, through a liberal interpretation of the convertibility clause and through generous debt settlements. The United States are believed to be reluctant to lend directly to countries such as India which are likely to be the scene of major political upheavals. A solution under which the loan would be granted to Britain but the dollars would be spent by India and other countries in a similar position would presumably be preferred.

Before very long the question of the second loan is expected to become a major political issue in Britain. Both political parties are sharply divided on the matter, and the concessions which will have to be made for the sake of obtaining it are likely to encounter bitter opposition in Parliament. The basic fact is, however, that most politicians would be reluctant to advocate a course which would lead to drastic cuts in food imports.

Our Job in Germany Today

By M. S. SZYMCZAK*

Director of Economics Division, Office of Military Government for Germany

Mr. Szymczak gave a talk over the Washington radio station WINX on May 23 on the subject "Our Job in Germany." The summary of the highlights of his radio address follows:


M. S. Szymczak

American policy in Germany aims at economic unification, according to the provisions of the Potsdam Agreement. In the short run, food continues to be the central question. The occupation authorities have been able to avoid in the American zone not only starvation but also serious deterioration in public health. The present official ration of 1,550 calories daily for the average consumer, however, is more than one-fourth below the minimum necessary to ensure the maintenance of public health in the long run. Even so, the ration has been furnished only by importing into the zone from abroad foodstuffs equal to 60% of domestic production.

Military government is also facilitating German efforts to rebuild at least part of their industrial system. This may be difficult to understand in view of the part played by German industry in the history of German aggression. The reconstruction of German peaceful industries is necessary, however, to prevent Germany from remaining a source of perpetual unrest in Europe, to aid in the recovery of our allies, and to enable Germany to become self-supporting in international trade. At present, production is somewhat smaller than in the fall of 1946 because of the exceptional severity of the last winter which disrupted transportation and production all over Europe. It is much larger, however, than a year ago, and the output of several important consumer foods industries is expected to reach prewar levels by 1948.

The Currency Situation

Economic rehabilitation is hampered by the difficult currency situation. Money in circulation increased during the war to six times the prewar level, and the extreme scarcity of goods adds to the danger of inflation. The occupying powers have been able to prevent official prices and wages from rising seriously, but only the meager rations are available at legal prices. In the long run, the disparity between the supply of money and goods cannot be maintained. Currency reform is under consideration by the four occupying powers, but if uniform action is not forthcoming, the advantages and disadvantages of separate action by the government of the combined American and British zones must be weighed.

Integration of Trade

Peaceful reconstruction of Germany also depends upon the integration of the Germany economy in the network of international trade. Imports into the American zone have consisted mainly of foodstuffs and other essential goods necessary to avoid disease and unrest among the population. Military government also arranged for the importation of cotton and other raw materials to be processed in Germany. A new cotton program is now being discussed in Germany by American cotton shippers and Export-Import Bank representatives with Military Government officials. Part of the finished goods are being exported to pay for imports, and the rest becomes available to the domestic economy. Other raw materials imported are used for production for export only. The economic merger of the American and British zones will make possible a more ambitious program, and present plans call for putting the merged zones on a self-sustaining basis by the end of 1949. The American taxpayer is particularly interested in having the merged zones evolve an export-import balance because only thus can the merged zones pay for the importation of the foodstuffs required to avoid starvation.

Our stake in the economic recovery of Germany, however, is greater than our interest in receiving payment for our supplies to Germany. We want peace. In order to have peace we must have economic stability in Europe. This means economic stability in Germany. At the same time we are striking at the seeds of aggression in Germany by decentralization of the country not only politically but also economically. Measures to that end are now in effect. That is our long range objective.

*Summary of radio talk by Mr. Szymczak over WINX, Washington, May 23, 1947.

NSTA Notes

NATIONAL SECURITY TRADERS ASSOCIATION INC.

BOND TRADERS CLUB OF CHICAGO

The Bond Traders Club of Chicago announces the committees appointed for the various events to be held at the 21st Annual Field Day at Acacia Country Club, LaGrange, Ill., June 14.

Program Chairman—John C. Rogers, Hickey & Co.

Golf—Hal Oldershaw, Blyth & Co., Chairman; assisted by Gil Egbert, McMaster Hutchinson & Co.; Art Fenton, E. H. Rollins & Sons; Joe Lee, Strauss Bros. & Co.; and Roy B. Sundell, Thomas E. King & Co.

Baseball—Elmer Erzberger, Smith, Burris & Co., Chairman; assisted by Fred O. Cloyes, Geyer & Co.; Lenny Friedman, Boettcher & Co., Charles Scheuer, Valiquet & Co.

Horseshoes—William J. Gratza, Blair & Co., Chairman.

Clubhouse— William T. Anderson, Jr., Goodbody & Co., Chairman.

Prizes—Donald R. Stephens, Paul H. Davis & Co., Chairman.

Hotel Reservations—Chris J. Newpart, Merrill Lynch, Pierce, Fenner & Beane.

Guest Reservations—Paul J. Bax, Kidder, Peabody & Co.; Stanley Dawson-Smith, Straus & Blosser.

Transportation—Ray Harrell, E. W. Thomas & Co., Chairman.

Buffett Warns of Further Foreign Lending

In special interview with "Chronicle," Nebraskan Congressman calls for U. S. supervision of debtors' expenditures of our credits. Cites fruitlessness of our wartime loan to China, and urges Congress to assume its responsibilities.

WASHINGTON—"If Congress would learn from experience, it would see to it that loans of public money abroad are spent under American supervision," Congressman Howard Buffett (R., Neb.) stated this week to the writer. "I am not sure that the $250,000,000 which the World Bank this month lent to France is properly safeguarded. The Bank is said to have wanted to write into the contract a provision which would give the Bank the power to okay expenditures under the loan before the money is spent—or misspent—but, I hear, the French refused. Instead, they consented to write the President of the Bank a letter. It sounds rather vague to me," the Nebraskan Congressman, who is a member of the Banking and Currency Committee, observed.

Howard Buffett

Safeguards Originally Contemplated

"When the Bretton Woods program was before our committee in 1945 the government witnesses made much of the safeguards which would surround the loans. There was to be a veto power by the United States, apart from this country's large vote on the Bank's and Fund's boards. That veto power in the Bank lay in the power of a member, meaning the United States, to require the Bank to obtain its approval for each loan of dollars by the Bank. That, at least, is how I understood the safeguard at the time. If rumor is correct, the American Government recently has decided to hand over that power to the Bank, on which we have only about one-third voice. With the dollar supposed to be scarce all over the world today, and rapidly getting so right on our northern and southern borders, this means that the other two-thirds of the Bank's voice, in lending the dollars, would be the voice of dollar-hungry governments. What kind of a safeguard is that?" Buffett asked.

"The biggest experience we have had in recent years with handing out abroad blank checks on the U. S. Treasury was the $500,000,000 so-called loan which was made to China interest-free. It was rushed through Congress on the urging of the President, as if winning the war depended upon it. The loan was intended for a number of worthy purposes, none of which so far as I can find out did it attain. According to Peter Edson, a Washington reporter of great competence and high standing, the loan to China was squandered by the sale of gold the Chinese got from the obliging authorities here. The gold was sold to the public in China, in the midst of the war. So far as I can find out, a large part of the public consisted of insiders who knew when the official price of gold was about to be changed. I am at present trying to find out through the State Department what became of the two or three Chinese Government bank officials who were convicted of gold speculation while the GIs were dying to save their country from the Japs. I read the other day that one of the culprits had been released after finishing his jail term.

Congressional Responsibility

"Congress after all has some responsibility, having okayed the wartime loan to China," Mr. Buffett continued. "Likewise, Congress has responsibility today as it is called upon to pass loans to Greece and Turkey, and who knows what other countries the State Department has in mind next month and next year. I had the idea that it would be a good thing to find out how that $500,000,000 loan had worked out. The Administration had promised the Congress, then considering the Truman loan to Greece, that any information it wanted the Administration would gladly and fully supply. I wrote the State Department for full details on the China experience about three weeks before the Greek loan came up in Congress, and I got a reply—and not a complete one — only after the Greek loan had gone through Congress, so there was no opportunity for me to make comparisons with our experience with that Chinese financial adventure. After reading the State Department's report I can understand their hesitancy in being prompter. On the appropriate occasion I shall have more to say about what the Chinese did with our taxpayers' and war-bond buyers' money. There still is a lot of mystery to be uncovered. Probably the answer is in Shangrila or Hyde Park Library, or somewhere else safe."

The $500,000,000 loan to which Mr. Buffett refers was made to China in 1942, and should not be confused with the $500,000,000 which since last year has been under earmark in the Export-Import Bank for China. The earmarking is scheduled to expire on June 30, unless other action is meanwhile decided upon. Special Congressional approval for the lending of that sum to China by the Export-Import Bank is not required.

COMING EVENTS

In Investment Field

May 29, 1947 (New York)
The "Topper's" Field Day and outing at Westchester Country Club, Rye N. Y.

May 30, 1947 (Atlanta, Ga.)
Georgia Security Dealers Association Annual Outing at Brookhaven Country Club, Atlanta, Ga.

May 30, 1947 (Dallas, Tex.)
Dallas Bond Club Field Day at the Dallas Country Club.

May 30, 1947 (New Orleans, La.)
Bond Club of New Orleans, annual field day, at the Metairie Country Club.

June 6, 1947 (Baltimore, Md.)
Bond Club of Baltimore Annual Field Day and Outing at the Elkridge Club.

June 6, 1947 (Chicago, Ill.)
Bond Club of Chicago, 34th Annual Field Day at the Knollwood Club, Lake Forest, Illinois.

June 6, 1947 (New York)
Bond Club of New York Field Day outing at the Sleepy Hollow Country Club, Scarborough, N. Y.

June 6, 1947 (Pittsburgh, Pa.)
Bond Club of Pittsburgh 22nd Annual Spring Outing at the Longue Vue Country Club.

June 12, 1947 (Minneapolis- St. Paul)
Twin City Bond Club 26th Annual Picnic at the White Bear Yacht Club, to be preceded Wednesday night, June 11, with a cocktail party at the Nicollet Hotel, Minneapolis.

June 13, 1947 (Boston, Mass.)
Municipal Bond Club of Boston Annual Outing.

June 13, 1947 (Cleveland, Ohio)
Cleveland Bond Club's annual spring party and silver anniversary celebration.

June 13, 1947 (Philadelphia, Pa.)
Philadelphia Securities Association Annual Field Day at Llanerch Country Club, Llanerch, Pa.

June 14, 1947 (Chicago, Ill.)
Bond Traders Club of Chicago annual Field Day Party, Acacia Country Club.

June 14-18, 1947 (Canada)
Investment Dealers Association of Canada Annual Convention at Jaspar Park.

June 16-17, 1947 (Cincinnati, Ohio)
Municipal Bond Dealers' Group of Cincinnati Spring Party.

June 20, 1947 (Milwaukee, Wis.)
Milwaukee Bond Club annual picnic at Merrill Hills Country Club, Waukesha County, Wis.

June 20, 1947 (New York)
Municipal Bond Club of New York 14th Annual Field Day at Sleepy Hollow Country Club, Scarborough - on - Hudson, New York.

June 20, 1947 (New York)
New York Security Dealers Association 1947 Summer Outing at Engineers' Golf Club, Roslyn, Long Island.

June 20, 1947 (Toledo, Ohio)
Bond Club of Toledo 13th Annual Golf Outing at Inverness Country Club (note change of date from June 6)

June 20-22, 1947 (Los Angeles, Calif.)
Security Traders Association of Los Angeles annual spring party at the North Shore Tavern, Lake Arrowhead.

June 27, 1947 (Westfield, N. J.)
Bond Club of New Jersey Spring Field Day at the Echo Lake Country Club, Westfield, New Jersey.

July 10, 1947 (Boston, Mass.)
Boston Securities Traders Association annual outing at the Woodland Golf Club, Newton, Mass.

July 22, 1947 (Detroit, Mich.)
Security Traders Association of Detroit & Michigan Annual Summer Golf Party, Orchard Lake Country Club. Also a cocktail party and buffet dinner on July 21 at the Savoyard Club, Detroit.

Aug. 10-14, 1947 (Boston, Mass.)
National Security Traders Association annual convention.

Sept. 20, 1947 (Chicago, Ill.)
Municipal Bond Club of Chicago Outing.

Nov. 30-Dec. 6, 1947 (Hollywood, Fla.)
Investment Bankers Association Annual Convention.

NASD Offices to Close Sats.

The executive offices of the District No. 13 Committee of the National Association of Securities Dealers, Inc., will be closed on Saturday, May 31st, and each Saturday thereafter through the months of June, July, August and September.

Lerner a Director

Louis C. Lerner of Lerner & Co., Boston, Mass., and Carl R. Turner of Columbus have been elected directors of the Ralston Steel Car Co., of Columbus, manufacturers of freight cars. John W. Hubbard of Pittsburgh has retired as Chairman and director.

Securities Salesman's Corner

By JOHN DUTTON

If there is anything that produces customer good will and confidence for a securities firm, it is plain, simple, honesty. Contrary to public opinion concerning Wall Street, there is such a high standard of business ethics among the majority of people engaged in the securities business that there is no place for the type of salesman that is so prevalent in many other lines of business.

The uninitiated may not believe this. To hear the SEC talk to Congress about the need for further regulation of the over-the-counter markets you would think that chicanery is the rule rather than the exception. When a loud-mouthed, economic illiterate of a Congressman in search of headlines, blames bear-markets on a few evil men having such power over the economic system that their supposed "short selling" will drive the country into destruction and many people believe it, you have a condition that is extremely unfortunate. When NASD officials make speeches and cause books to be written indicating that THEY have caused the over-the-counter industry to change from a public malefactor to a model of business perfection and morals, and nobody refutes such nonsensical tommyrot except the Editor of "The Commercial and Financial Chronicle," things are not right on the public relations front of the securities business.

It is probably true that the average man in the street doesn't know too much that is good about people in the investment business. He more than likely thinks most brokers and security dealers are some sort of strange fish that the world would be better off without. Maybe he thinks we make our living in some underhanded, evil manner. If he doesn't think so it hasn't been because the politicians from time immemorial to LaGuardia, haven't been busy knocking over straw men in banks, investment houses, and brokerage offices all over the country. There can be little doubt that the public relations of the securities business in general are plain N. G. The reason for this is that there never has been any cooperative effort to counteract the calumny and abuse that has been heaped upon our industry.

But if the man in the street doesn't appreciate the fact that by and large there is a conscientious desire TO SERVE the public interest on the part of our industry, we do know that **our customers** appreciate that we do TRY to place their welfare FIRST. Last week a dealer's customer called him on the telephone. He had some information that a certain bond issue selling at about a 20% discount from a possible liquidating value, was "in the bag" as he put it. It so happened the dealer was familier with this particular situation. He pointed out the risks involved if he made this commitment. He explained why he thought it wasn't a "sure thing" as he was told. He told him if he wanted to buy these bonds, he had a 90% chance that they would work out as he was told and a 10% chance that they might decline in value if the proposed plans did not "work out" as he expected. As a result, the dealer did not take an order for a possible 100 bonds. The commission on such an order was not to be passed up lightly in these times. This particular dealer did nothing extraordinary. This sort of thing goes on every day in the week in the investment business. Only a week ago I spoke to a dealer friend of mine in the bond business and asked him for his candid opinion on this very same issue and he gave me the identical information the dealer above referred to gave to his customer. He told me the truth the way he saw it—even if it meant the loss of an immediate commission to him. Show Mr. Congressman, or Mr. Bureaucrat, case after case like this which happens many times a day in the investment business, and let them show you any other business where salesmen turn down orders if their customer's welfare may be jeopardized by not doing so.

But one thing we know—dealers have learned from experience—they don't need a policeman with a stick to make them think of their customer's welfare FIRST. WHY DO YOU THINK THE CUSTOMER CALLED HIS DEALER ON THE 'PHONE AFTER HE GOT THE HOT TIP IN THE FIRST PLACE? He didn't do so because he thought he would give him unsound advice—you can bet he didn't. He did it because he knows when his dealer tells him something that he is giving him the BEST of it, first, last and always. That is why his dealer didn't mind passing up the commission on that 100 bonds the other day . . . as far as he is concerned, he can have another order ANY TIME HE CALLS. That is something you can't buy nor regulate—some people call it "good will."

LaSalle St. Women To Hold Election Meeting

CHICAGO, ILL.—La Salle Street Women will hold its annual election of officers at a dinner meeting, 6:15 P. M., Thursday, June 5, at the Cordon Club, 410 South Michigan Avenue, Chicago. Miss Alva Lowry, Interior Decorator, will be the guest speaker.

Three With W. C. Langley

W. C. Langley & Co., 115 Broadway, New York City, members of the New York Stock Exchange, announces that Francis J. Cullum, Edwin W. Laffey and Charles D. Robbins, Jr., have become associated with the firm as registered representatives in the sales department.

Kuhn Loeb Group Offer Netherlands Issue

Kuhn, Loeb & Co. headed a nationwide underwriting group which on May 27 offered to the public a new issue of $20,000,000 Kingdom of the Netherlands 10-year 3¾% external sinking fund bonds. The bonds, due May 1, 1957, are priced at 99% and accrued interest. The offering represents the initial postwar entrance by the Netherlands into the American private capital market.

The proceeds from the sale of these bonds will be used for the purpose of making prepayments of advances under a credit agreement between the Kingdom and the United States Export-Import Bank or for the purpose of acquiring goods and services for the reconstruction of the Netherlands.

The Netherlands was last in the American market for funds from private investors in 1924 when it sold a $40,000,000 issue which also was underwritten by Kuhn, Loeb & Co. That issue was redeemed in 1929. From the time of the separation of the Netherlands from Belgium more than 100 years ago, there has never been a default in interest, principal, or sinking fund payments on any external or internal obligation of Holland, except for the temporary dislocation occasioned by the Nazi invasion.

Readily marketable securities in the United States held by Netherlands Nationals in the latter part of February this year are estimated in the registration statement at approximately $560,000,000.

An authoritative picture of the economic progress of the Netherlands following the effects of five years of enemy occupation is set forth in the offering prospectus. Loss and damage to property as a result of the war amounted to $6,284,000,000 in 1938 money value, according to an official estimate of the Netherlands Government made in 1945. In the face of these tremendous losses, the general index of industrial production, exclusive of construction and lumber industries, stood at 85 in December, 1946, with 1938 taken as 100.

Progress has been noteworthy in the restoration of the Netherlands merchant fleet historically of vital importance as a source of foreign exchange, but greatly reduced by war losses and confiscation. From 2,869,000 tons in 1939, the merchant fleet reached a low mark of 1,329,000 tons during the war. As of Nov. 1, 1946, total tonnage had been restored to 2,259,000 tons.

Of the 3,315 kilometers of railway track in the Netherlands at the beginning of 1939, much was destroyed during the war, including a large proportion of the railway bridges. Yet on Dec. 31, 1946, 3,031 kilometers were in operation. The index of passenger traffic in the third quarter of 1946 was 238, 1938 taken as 100, and the freight index was 86.

The recovery in agriculture has been impressive, in view of the tremendous inundation and other effects of the war. Total agricultural area at the end of 1946 amounted to approximately 2,380,000 hectares, as compared with about 2,334,000 hectares in 1939, the last complete year before the invasion. A hectare is approximately 2½ acres.

At the outbreak of World War II and for more than 10 years before, the only indebtedness of the Netherlands was internal. During the 1930 decade, the country had a favorable balance of payments totaling approximately 417,000,000 guilders, primarily as a result of income from investments abroad, from shipping and transit charges and miscellaneous sources. During the three-year period 1937-1939, less than 1/10th of the Netherlands trade was carried on with the Netherlands East Indies.

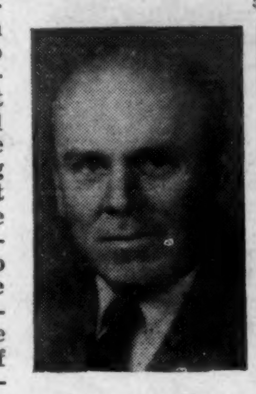
The World Bank and The Private Investor

By JOHN J. McCLOY*

President, International Bank for Reconstruction and Development

President McCloy declares Bank's necessity of going to private investment market is most important safeguarding guide for both Institution's directorate and borrowers. Discloses important details of securities to be offered, including maturities, selling method, guarantee factor, amortization and other requirements imposed on borrowers.

I have been trying to learn something about this bond business in the last few weeks, and I find that there is an entirely strange technique, utterly foreign to anyone who has only approached it from the legal side. I have been traveling a good bit around the country attempting to discuss the capital structure and the operations of the International Bank with various banking groups. In doing this, I have been accompanied by Mr. Eugene Black, the United States Executive Director. I have received a real education in how the bond business is transacted. At these meetings (I have learned that you should refer to them as meetings, not conventions) the routine seems to be about the same. First, you arrive at the designated spot—it is usually a resort of some sort—and though you are scheduled to speak at the morning session, you are warned by Black that you can't rely on that, because if it is a good day, everybody will be out playing golf and some of the most important, anyway, just don't show up as a matter of principle. So what you must do, according to Black, is what he calls "mosey around."



John J. McCloy

Betting Technique

It takes something like this form: Black goes up to a fellow and he says, "Hello, Hank!" Hank says, "Hello, Gene!"

"By the way, have you heard about these International Bank bonds?"

Hank says, "Yes, I have heard about them."

"What do you think of them?"

"Well, I wouldn't touch them with a ten-foot pole," or some other such remark as that.

Whereupon Black says, "I'll tell you what I will do. I'll bet you ten dollars you will buy a million of them."

That usually provokes interest, because anything resembling a bet at these meetings I find always stirs people into action.

Well, then there are several comments back and forth, and maybe a song or two, if it is late enough at night, and before very

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*An address of Mr. McCloy before the Bond Club of New York, May 26, 1947.

World Bank and Fund Jottings

By HERBERT M. BRATTER

September Bank meeting likely to take place in New York instead of abroad. New monetary advisors. Fund starts activities. Doubts about France. Relations with borrowers.

"London" Meeting in New York? This is a question recently put before a committee of the World Bank. The Fund is strong for the idea of rotating the annual governors meetings, since the Fund wants the understanding and sympathetic interest of all member nations. The Bank is at present particularly concerned with being favorably known in the United States, whose investment institutions must supply the money the Bank lends. It has been pointed out that to hold the scheduled September meeting in London will cost much more than to hold it in Washington, since all four dozen executive directors and alternates of Fund and Bank, as well as many staff members, will attend. The economy in money and time is not the only argument. Also, it is said, there will be better American press coverage if the meeting takes place on this side of the ocean.

Herbert M. Bratter

Also, Britain's shortage of food and hotel facilities is a consideration, not only from the British standpoint, but also because the average Fund and Bank official prefers American to London hotel fare today.

Political considerations may be expected to weigh heavily with the British, who all along have regarded the Bretton Woods program as unfortunately, if necessarily, weighted too much by Washington and who want to leave no stone unturned to repair London's place as a world financial center.

Therefore the travel expenses of Fund and Bank are likely to be no less in the coming year than heretofore. During the nine months ended March 31, a period which does not go as far back as the Savannah meeting, travel expenses were $113,812, out of total expenses of $1,278,000 for the Bank alone. The largest item of Bank expenditure was salaries and provision for taxes on salaries and expense allowances—$863,994. If anyone can find ways of cutting such expenses, potential investors doubtless will view the discovery as praiseworthy.

* * *

An Able Discussion of World Bank Securities appears in the April 21 issue of the Empire Trust "Letter" (published by the Empire Trust Company, N. Y.). The article is written by the Bank's Vice-President, Joseph Stagg Lawrence. This well informed article calls "fantastic" some of the amounts of loans which have been requested of the World Bank, including in this statement $500 millions requested by the Netherlands. (Another part of the same article, however, seems to exclude the Netherlands application from this characterization.) After discussing the role of communism in France,

(Continued on page 44)

Shipping Stocks

By ROGER W. BABSON

Mr. Babson sees heavy reduction in U. S. merchant fleet as after World War I, because of increasing shipping competition from abroad. Does not recommend buying shipping securities for investment and says increasing Federal subsidies to U. S. shipping are justified.

Aid and loans abroad are bound to expand U. S. trade with most of the nations of the world. Therefore our farmers and manufacturers will benefit! What about our merchant fleet? Are we to let other nations take away our war-built lead in maritime commerce as after World War I? Wall Street is trying to get small investors "to hold the bag."

Roger W. Babson

What Happened After World War II?

Let us look upon our maritime fleet before and after World War II. In 1939 we had about 14% of world shipping; today we have about 40%. Great Britain today has about 22%, nearly the same as in 1939, and is building more. Other nations are rapidly replacing their war-depleted fleets with the intention of bettering their prewar status.

Although U. S. ships were carrying about half of the world trade after World War I, they had lost 30% of that trade up to World War II. By 1939 our merchant fleet had been reduced to only about 14% of the world's shipping. It looks very much as if this peacetime reduction in our merchant fleet were to be repeated.

Ships Available

From the end of World War II to the present day the U. S. merchant fleet has been reduced in tonnage close to 55%. When this program has been completed it is doubtful if we have more than 1,500 ships in use. Today we have three main classes of dry cargo vessels. The first class includes long-range freight vessels with medium speeds, combined cargo-passenger ships with comparable speeds and other faster cargo-passenger ships. These three types are the most useful for postwar shipping.

Liberty Ships Unsatisfactory

Victorys, the second class, have fair speed; their detriment is stowage factor. Thirdly our older vessels and Libertys forming the bulk of our dry cargo fleet. Most of these are not satisfactory for present needs. The stowage factor of the Liberty ship is fair. But their expensive power plants, their slow speed combined with the high cost of American labor, make Libertys impractical for American operators.

Now we come to ships building throughout the world. The United States has practically ceased construction. We are in need of fast medium sized passenger ships as well as some refrigerator ships. We will need new dry cargo ships designed to meet the faster, more economical foreign competition. In number of ships building today the U. S. falls into the same category as France, Norway and Sweden. Italy and Holland are quite a few ships ahead of us. Great Britain intends to outbuild all comers with more than seven times the present U. S. program.

We do not know what Russia is building, but my guess is that Russia's program will fall between Britain and the others. With one exception only, under the present set-up, are we likely to hold our own in postwar shipping. We have more than enough modern tankers of large capacity and competitive speed. The opening of new oil fields throughout the world, with the demand for petroleum and by-products, should enable our tanker fleet to lead in this field if we can protect our Arabian oil fields. This is one reason for our present interest in Greece and Turkey.

Subsidies Necessary

Loading constitutes one of the largest shipping costs. At present high priced labor makes loading and unloading expense heavy. A new device, being tested on the Martime Commission's S. S. Sea Hawk, cuts loading time by an estimated 15%. Until such modern devices can be incorporated into new ships we shall need considerable subsidy to support shipping. For today loading and other labor costs make American shipping far from profitable. The present plan is to spend about $50,000,000 each year in subsidies for the support of our active merchant fleet. This amount will only maintain a skeleton fleet allowing for no new developments and the needed types of ships to maintain a progressive fleet.

In view of the above I cannot now recommend readers to buy shipping securities as an investment, but I do believe the Federal Government is justified in increasing subsidies to U. S. shipping. This would provide a proving ground where we could design and test new, faster, and more economical ships. Though we might not hold the lead in actual goods carried, we would remain fully abreast of the times. Furthermore, we would be able to jump into any future emergency and at least be on an equal basis with any other power.

N. Y. Financial Writers Elect Denver Head

Robert Denver of the "World-Telegram" was elected president of the New York Financial Writers' Association at the annual meeting of the Association. Oliver John Gingold of the "Wall Street Journal" was chosen vice-president; George Wanders of the New York "Herald Tribune," treasurer; and Mack Talbot of the "Journal-American," secretary.

The new board of governors includes Franklyn B. Dezendorf, of "Barron's Weekly"; Norman Brown, of the Associated Press; Harry T. Rohs of the "Wall Street Journal"; George A. Mooney, of the "New York Times," and S. Richard Brown of the United Press..

New Officers

Officers of Paul J. Mahoney, Inc., 115 Broadway, New York City, are Paul J. Mahoney, President; Walter S. Mahoney, Vice-President; Clarence J. Mahoney, Secretary, John F. Mahoney, Treasurer; and Robert C. Steele, Assistant Secretary and Assistant Treasurer. Mr. Steele has been with the firm in the trading department.

With State Bond & Mtge.

Special to THE FINANCIAL CHRONICLE

NEW ULM, MINN.—Harold J. Kroese has joined the staff of State Bond and Mortgage Co., 26½ North Minnesota Street.

John J. O'Kane Jr. Co. 25 Years in Business

John J. O'Kane. Jr. & Co., 42 Broadway, New York City, is celebrating twenty-five years in business with the same firm name, the same partners, and at the same address. Partners are John J. O'Kane, Jr. and Philip C. Kullman, Jr. The firm is a member of the New York Security Dealers Association. Mr. O'Kane is also active in the affairs of the Security Traders Association of New York.

John J. O'Kane

P. C. Kullman, Jr.

N. Y. Security Dealers Summer Outing June 20

The New York Security Dealers Association announces that arrangements have been completed for the 1947 Summer Outing to be held on Friday, June 20, at the Engineers' Golf Club at Roslyn, Long Island.

A golf tournament will be held, lasting all day ($2.50 per person). A softball game will start at 6 p.m. There will be two silver cups and other prizes for the golfers and many useful and valuable door prizes for others.

Dinner will be at 8 p.m., with choice of fish or fowl, and no speeches. Dinner tickets at $5.

Members of the Committee in charge of the outing are John J. O'Kane, Jr., John J. O'Kane, Jr. & Co., Chairman; Wellington Hunter, Aetna Securities Corp.; Herbert D. Knox, H. D. Knox & Co.; Frank Koller, F. H. Koller & Co.; Hanns Kuehner, Joyce, Kuehner & Co.; Stanley Roggenburg, Roggenburg & Co.; T. Reid Rankin, R. H. Johnson & Co.; George Searight, Aetna Securities Corp.; Bertram Seligman, Ward & Co.; John H. Valentine, John H. Valentine & Co.; and Melville Wien, M. S. Wien & Co.

Treasurer of World Bank Visiting Europe

Mr. de Iongh inaugurates series of trips by Bank officials.

WASHINGTON, D. C.—D. Crena de Iongh, Treasurer of the International Bank for Reconstruction and Development, departed from LaGuardia Field, New York, Saturday, May 24, for London. He will spend two or three weeks in England and on the Continent, conferring with bankers and government officials, and prospective appointees to the Bank's staff. While in Paris, Mr. Crena de Iongh will discuss with French officials, technical details relating to the $250,000,000 loan to France announced earlier this month.

In line with the Bank's policy Mr. Crena de Iongh's trip is the first of several planned to capitals of member countries by International Bank officials.

The International Bank's Treasurer is a former President of the Netherlands Trading Society and from 1940 to 1946 was an official of the Netherlands Indies Government. He was a member of the Netherlands Delegation at the Bretton Woods Conference.

New York State Bankers to Meet

Over 600 bankers from all parts of New York State, representing banking institutions with combined resources of $50,000,000,000, will attend the 51st Annual Convention of the New York State Bankers Association at the Chateau Frontenac, Quebec, on June 14-17, it was announced on Monday by Chester R. Dewey, President of the Association, and President of the Grace National Bank, New York City.

Delegates to the convention will be welcomed by B. C. Gardner, President of the Canadian Bankers Association, who is also Vice-President and General Manager of the Bank of Montreal.

Chester R. Dewey

John J. McCloy, President of the International Bank for Reconstruction and Development, will be the principal speaker at the Association's annual dinner on Monday, June 16. It is expected that Mr. McCloy will discuss the organization and purposes of the "World Bank," as well as the contemplated scope of its financing operations.

Featured speakers during the first general session of the convention will be John M. Hancock, well-known industrial banker and partner of Lehman Brothers, and H. E. Humphreys, Jr., Chairman of the Finance Committee, U. S. Rubber Co. Mr. Hancock, who is Chairman of the board of the American Management Association, served as a member of the U. S. delegation to the United Nations Atomic Energy Commission. Mr. Humphreys, an authority on taxation, is Chairman of the Government Finance Committe of the National Association of Manufacturers.

Stephen M. Foster, economic advisor to the New York Life Insurance Co., will address delegates attending a luncheon on Monday afternoon which will be sponsored by the Association's Trust Division.

Hon. Maurice Duplessis, Premier of the Province of Quebec, and Morris Townsend, National Director, Banking and Investments, Savings Bonds Division, U. S. Treasury Department, will address a general session of the convention on Tuesday, June 17.

Election of Association officers for 1947-48 will take place on Monday, June 16. At the same time New York State members of the American Bankers Association will meet to elect various representatives and officers.

Railroad Securities

During the past week and a half railroad analysts have had a lot of news to digest and many developments to assess. With gratifying speed the Interstate Commerce Commission has granted passenger fare increases averaging 10% to the eastern carriers. The order does not affect the commutation fares for which increases are also being requested in separate proceedings. In its decision the Commission characterized the increase as moderate in relation to the rise in costs with which the carriers have been burdened. Many observers are inclined to the view that the Commission's recent action augurs well for speedy and favorable action on any petition for higher freight rates that may become necessary later this year if wage rates are again boosted. Supporting this hope of expeditous action it is pointed out that Ex Parte 162 was not closed in December when freight rate increases were last sanctioned.

The Commission early last week also acted favorably on two proposed railroad mergers. The Commission as a whole refused to review the proposed merger of Chesapeake & Ohio and Pere Marquette which had previously been approved by the Finance Bureau and Division 4 but had been opposed by minority stockholders of Pere Marquette. The order confirming the plan is to become effective June 4. Unless the minority Pere Marquette stockholders take the matter to court and obtain an injunction it is anticipated that the merger will be consummated almost immediately after the confirmation order becomes effective. Issuance of new securities, however, will probably take some time.

In another decision released the same date as that approving the Chesapeake & Ohio-Pere Marquette merger the Commission set up a reorganization plan for Florida East Coast providing for merger of that road with the Atlantic Coast Line. In formulating this plan ICC ignored the findings of the Examiner who previously had recommended independent reorganization of Florida East Coast with control going to St. Joe Paper Company as majority holder of the road's junior bonds. Unlike the Chesapeake & Ohio-Pere Marquette merger this one is at best a long time off. All reorganization history points to the likelihood of lengthy litigation before any plan can be consummated.

The courts were also active in railroad affairs. The Supreme Court upheld the ICC's order equalizing territorial class rates. The order provided for an increase in class rates of 10% in official (eastern) territory and a cut of 10% for all the rest of the country except Mountain-Pacific territory. This so-called "equalization" of class rates is expected to have little affect on railroad revenues and earnings. Only a small portion of railroad freight moves at class rates. This traffic accounts for only about 6% of all freight revenues. A Commission bureau some time ago estimated that on the basis of 1942 traffic the altered class rates would mean an increase of little more than one-half of 1% in freight revenues in official territory and a decline of less than 1% for other affected territories.

Late last week Judge Igoe finally confirmed the reorganization plan for Chicago, Rock Island & Pacific. He took advantage of a provision in the plan allowing the court to cure any defects therein (a provision of all reorganization plans) to prevent what he characterizes as "banker control." Judge Igoe himself will appoint three of the five reorganization managers instead of the one he was to name under the original terms of the plan. It is doubtful if this step has any real significance. Further court action by junior interests appears certain so that consummation will be further delayed. Nevertheless, unless new legislation is passed before the summer recess of Congress there seems little prospect of upsetting the plan.

Also last week the courts acted on the proposal of St. Louis Southwestern to pay off all back interest and provide for principal in default and thus come out of bankruptcy without reorganization. Federal Judge Moore authorized the trustee to petition for dismissal of the pending reorganization plan and to file with the ICC the plan for returning the properties to the old stockholders outlined in these pages in the issue of May 8.

Lehman Brothers Quarter Century Club

Twenty employees of Lehman Brothers, One William Street, New York City, who have entered their 25th year of service with the firm, became charter members of the Lehman Brother's Quarter-Century Club at a meeting May 21. Three partners of the 97-year-old firm who are eligible have also been included in the original membership.

Melville Bertschy, Manager of the firm's Commodity Department, was elected the first President of the Club and Miss Marion Beckman was elected Secretary.

A Program for Foreign Rehabilitation Aid

(Continued from page 4)

cated with greatest attention by Mr. Henry Wallace, now the Editor of the "New Republic" magazine. The other extreme is persistently presented most powerfully by Mr. Robert McCormick, Publisher of the Chicago "Tribune." One is a Democrat—the other a Republican. I refer to them specifically not to personally attack them, for they both have and must have the complete right to speak and publish their views and I give each of them and their supporters full credit for sincerity. But if we are to consider these questions of vital and far-reaching importance we must clearly characterize our positions in a manner that all may understand.

Thus at this early stage of my address I say distinctly and definitely that I reject for America both the Wallace doctrine and the McCormick doctrine. I reject both extremes.

As I see it the Wallace doctrine would make of America a nation of fellow travellers down the wrong road. It would place America hand in hand with those elements in Europe who would decrease individual economic freedom and subsequently dim other liberties. It would dissipate our domestic assets, centralize our economic authority in America, and bring about lower and lower production at home. It would repeat the errors of appeasement of the 1930's. It would discourage in other lands those stalwart believers in true liberty and take us away from the vigorous and dynamic quality of a people's capitalism. America should never adopt the Wallace Doctrine.

The McCormick doctrine would make of America a nation of coldhearted misers passing by on the other side. It too would lead to tragic results for our country. It would make us hated around the globe. It would set the world against us. It would lead us to boom and to bust and finally to a defensive war. It would make us a temporary pleasure ship in the path of a storm of despair. America should never adopt the McCormick Doctrine.

There is a natural attempt of those who follow either one of these two doctrines to attempt to throw all those who disagree with them over in the extreme opposite camp under the opposing banner. But it is tremendously important that we realize that the choice is not between these extremes.

In between is a very broad area in which I am optimistic that we can find the course of a strong and wise and humanitarian world policy. It must be a policy that seeks peace and plenty and freedom for ourselves and for others. We must become a nation of courageous pioneers blazing the postwar world trail toward peace and plenty and freedom. We must recognize that these three—peace and plenty and freedom—are indivisible.

No Peace With Shortages

You cannot have lasting peace if you have shortages, scarcities and want. You cannot have lasting peace when men are oppressed and subjugated and enslaved.

You cannot have plenty unless you have the very high production that stems from individual freedom—economic, social and political—and from the resourcefulness that arises with personal initiative, and from broad practices of open trade.

You cannot have plenty when your resources and your production are dissipated by war.

And equally, you cannot have freedom—individual freedom—of men and women—economic, social, political and religious—unless you have peace. You cannot have individual freedom under conditions of war or of destitution or of want.

Some will say that if these three are tied together, they constitute a hopeless circle and progress is impossible. These are the same people who repeat the insidious whispers that war is inevitable, that economic crashes are unavoidable. They are the distant descendants of those who said it was inevitable that the good ship Mayflower would never get across the Atlantic Ocean. They are the remote echoes of those who said that the thirteen American colonies would never succeed as a United States. They are the disciples of gloom who are present in every generation and who always must be rebuked if there is to be progress in human welfare.

Far from a hopeless circle these three goals present the necessity of a joint and balanced and constructive movement, admittedly against great obstacles, for a measure of achievement of all three.

No Complete and Final Program

I would not attempt to present a complete and final program of the immediate steps to be taken towards these three goals, and to avoid both of the extremes. In fact the development of the specifications of such a program which our people can understand and will support in unity should be the subject of an outstanding volunteer commission of men representing both political parties, and the leaders of business and labor and agriculture and education and science appointed by the President with the advice of the Senate, joining together in extensive discussion and analysis.

To stimulate the search for the best answers, I will set forth some of my own preliminary views of specific steps. Above all our entire approach to the world-wide and domestic situation now after the war must be constructive and not negative. We must seek to build up and not merely to block or contain or oppose. We must also think in big terms for the winning of this postwar struggle for peace and plenty and freedom, in terms just as big as those in which we thought when we faced the task of winning a world war on the opposite sides of the two great oceans.

10% of Production for Foreign Aid

I believe that for the next 10 years we should devote 10% of our total national production of goods and food (not of our gross national product) to building for world-wide peace and plenty and freedom. It should not be a sharpster lending program. It should not be a light-headed giveaway program. It should be a practical, sound, long-visioned business-like approach to the situation that exists in the world today, and to what we can foresee in the years ahead.

We should request the views of the Social and Economic Council of the United Nations as to the manner in which we administer this fund and should welcome their continuing advice. But we must ourselves actually administer the program and control the rate and type of production supplied, so as to safeguard against inflationary effects at home or diversion from our purpose abroad.

We should also require that each government that joins with us gives steady and unwavering support to the United Nations organization and its objectives.

This production should not be scattered or in fits and starts and handouts to those who cry "wolf" or "communist" the loudest. It should be based on a careful world-wide evaluation of the best long-term basis on which we can rebuild after the war. We should not expect repayment in dollars or in manufactured goods, because the rest of the world cannot repay in either one of them, and we do not need either one of them.

We should expect repayments of the kinds and types that the rest of the world is capable of giving and that we need. We should expect long-term agreements for the fair access to raw materials in other parts of the world and a current availability of major quantities of those minerals and other raw materials so that we do not further dissipate our own natural resources in this tremendous productive effort.

Against Promoting Socialism

We should expect agreements that the governments with which we work will not move farther away from individual economic freedom and will not go down the sad trail of increasing nationalization or socialization or government-ownership, which would result in lower production for them and would negative the constructive efforts we are making, and would make more difficult our own free economic future.

We should expect that our governmental representatives, our private citizens, and our press and radio without censorship, should be able to visit any area that is participating in our Production for Peace Program.

We should expect that they will not discriminate in any way against our citizens and that they will not tax our private capital at a rate discriminatory in comparison to domestic capital and will not expropriate without just compensation.

We should expect that others in the program will not indulge in a practice of exploitation of dependent peoples that would run directly contra to our basic long-term objectives.

We will also need to develop a code of the standard of conduct for our own private capital when it is invested abroad, based upon the best records of American capital in past years. We must not follow the pattern of some of the old instances of grasping imperialism.

We must likewise make it clear that we do approve of the corrections of the evils in a free economy and in private capitalism, of the initiation of land reforms where there are great concentrations of land, of restrictions against monopolies and trusts and cartels, of minimum wages for workers, of the rights of free workmen, and of the decentralization of power both private and governmental. We must also emphasize the need of stability in representative party government and of the serious weakness of the fragmentation of political action in mutliple parties with a government that precariously perches for its continuity on the day to day whim of a number of small minority groups.

Must Not Impose Our Program on Others

We must not impose our programs upon others, it must not be what we say should be done but what both agree is for the sound economic future of their countries, and ours, and the world.

Such a program should not include under any circumstances arms or munitions for others. Any exceptional instances, and they should be rare, of limited supply of minimum arms for stability of other nations, should be separately considered with complete individual debate in Congress and should not be injected into the Production for Peace Program.

Such a program should not be directed against anyone. Its whole emphasis should be positive and affirmative with the objectives of progress of all mankind and of

our own future peace and prosperity.

Coupled with sound domestic measures of a new national labor policy, of economy in the domestic activities of government, of encouragement to small new business at home, we can well afford such a program. In fact we cannot afford not to engage in such a program.

Properly carried out it would be one of the greatest single assurances against depression or economic crises in America. Properly carried out it would be one of the greatest safeguards against a descending spiral of regimented economy, lower production, want and misery and suffering around the globe.

It must have its priority list of projects carefully worked out. I believe that Number One on that priority list would need to be the redevelopment of the Ruhr area in Germany to get more coal out of the ground so as to make it possible for the industries of the rest of Europe to get underway. Without coal, factories closed, schools closed, and churches closed, and the people half froze throughout Europe this past desperate winter. This coal production is now inexcusably low, at only about 40% of prewar. It is a problem that is not held back by any failure to agree on the overall peace treaty for all of Germany. It rests entirely within the scope of agreements between the British and ourselves and the proper use of our own productive resources. Ruhr coal is the keystone to a healthy Europe. The Ruhr should be redeveloped under private ownership without monopolies or cartels. It should not be socialized. Former Nazis should be barred from ownership. Provision must be made for incentives to produce for workers and managers and owners. Capital from other countries should be permitted, but strict limitations must be placed upon its extent and its terms. The long term governmental supervision should be provided by the United Nations through its Economic and Social Council which acts without vetoes, and without complete detachment from Germany.

Second in priority should be the encouragement of the Belgian, Netherlands and Luxembourg customs and economic union to accelerate this determined and desirable development of a free economy for 18 millions of industrious people.

Agreements With England

Third in priority should be the agreement with England of the necessary steps and agreements for their long-term sound future as a free economy. We should not postpone a frank and friendly analysis with England of both the emergency and long term aspects of their situation arising from the extreme sacrifices and losses in the war.

A dozen other projects should follow, the order determined by careful study by the outstanding men of our country on a bi-partisan open basis.

These are sweeping proposals that I have made this evening. I have made them not as Republican proposals, but rather in a desire to see a truly American doctrine developed after this war that is worthy of the strength and inspiration of the dynamic ideas, the powerful position, and the great stake of America.

I am convinced that the people of our country know we are facing a situation that cannot be met by small programs, nor by extreme impractical measures, nor by drifting. The people want to know how their leadership appraises the world situation, and after frank discussion, the people will decide.

I welcome disagreement and criticism openly expressed. I suggest that it take the form of including definite counter proposals for the future long-term policy of America.

Let me make it crystal clear that I recognize in full the tremendous difficulties in the postwar world. I do not underestimate the clash of ideologies, the depth of misunderstandings, the thickness of suspicion, the bitterness of hatreds. I realize the size of the task of obtaining agreement and action on so broad a program in America. But what I propose is not vague or hazily idealistic or a dream. It is a practical, hard-headed, businesslike, sound approach to the situation in which we find ourselves. The long-term cost will be less than the alternative cost of the current patchwork and partially misdirected loan approach with huge armaments and unemployment and economic instability.

The obstacles are not grounds for dismay and inaction. This is not a time for timidity, or evasion, or delay. This is a time for courage, for frankness, for action.

I have great faith. I have great faith in the people of America. I have great faith that we can win a future of peace and of plenty and of freedom for America and for mankind.

Conyers Button Dead

Conyers Button, manager of the trading department of Robert Glendinning & Co., Philadelphia, died on May 5.

Rex Oleson Co. Formed

HARLINGEN, TEX. — Rexford P. Oleson has formed Rex Oleson Co. with offices at 213 South First Street. Mr. Oleson was formerly local manager for Willard York Co.

Sidney B. Hook Forms Own Co. in Los Angeles

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Sidney B. Hook has formed Sidney B. Hook & Co. with offices in the Van Nuys Building to engage in the securities business. Mr. Hook was formely vice-president of the First California Company. Prior thereto he was with Dean Witter & Co., Morgan & Co., and Merrill Lynch, Pierce, Fenner & Beane.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Bank Stocks

In Standard & Poor's first quarter "Current Analysis" of bank stocks the following statement was made:

"Regardless of interim price movements, bank stocks still offer considerable stability and have appeal for accounts requiring continuity of income. While the monetary situation holds possibilities of dynamic improvement in bank earnings (and dividends) over the long term, such growth is not expected as long as money rates are low. Rather, the prospect is that earnings will vary only moderately from recent levels, with the general business outlook favoring higher earnings in 1948."

"Continuity of income" is a characteristic of the stocks of leading New York City banks, whose long history of dividend payments presents an outstanding record. The following tabulation shows the current dividend yield of each of 17 New York City bank stocks together with other pertinent data.

TABLE I

New York City—	Current Annual Div. Rate $	Asked Price 5/23/47 $	Yield %	*Div. Coverage	Divs. Paid Each Yr. Since	Historical Yr. of Origin
Bank of Manhattan	1.20	25⅝	4.7	2.1	1848	1799
Bank of New York	14.00	355	3.9	1.9	1784	1784
Bankers Trust	1.80	41¼	4.4	1.7	1904	1903
Central Hanover	4.00	97¾	4.1	2.0	1864	1851
Chase National	1.60	35⅝	4.5	1.6	1879	1877
Chemical Bank & Trust	1.80	41⅛	4.4	1.6	1827	1824
Commercial National	1.60	41½	3.9	2.5	1931	1928
Continental Bank & Tr.	.80	16⅝	4.8	2.3	1918	1870
Corn Exchange	†2.80	55	5.1	2.0	1854	1853
First National	80.00	1,435	5.6	1.2	1864	1863
Guaranty Trust	12.00	268	4.5	1.7	1892	1839
Irving Trust	.80	15⅝	5.1	1.7	1905	1838
Manufacturers Trust	2.40	50½	4.8	2.2	1910	1912
National City	1.60	40	4.0	1.9	1813	1812
New York Trust	4.00	91	4.4	1.9	1904	1869
Public National	2.00	41	4.9	2.4	1916	1908
U. S. Trust	35.00	660	5.3	1.3	1864	1853
AVERAGE			4.6	1.9		

*Coverage by 1946 net operating earnings, excluding security profits and recoveries. †Quarterly rate increased from $0.60 to $0.70 in 1947.

Similar records are shown in Table II for seven prominent banks in cities other than New York.

TABLE II

Other Cities—	Current Annual Div. Rate $	Asked Price 5/23/47 $	Yield %	‡Div. Coverage	Divs. Paid Each Yr. Since	Historical Yr. of Origin
First National (Boston)	*2.25	49½	4.5	1.9	1785	1784
Nat'l Shawmut (Boston)	1.00	26¼	3.8	†1.4	1836	1835
Cont. Illinois (Chicago)	4.00	83	4.8	2.1	1935	1856
First National (Chicago)	8.00	203	3.9	1.8	1935	1862
Penna. Co. (Phila.)	1.60	37	4.3	1.7	1827	1811
Phila. Nat'l (Phila.)	5.00	108	4.6	1.9	1842	1802
Bank of America (Calif.)	2.00	42¾	4.7	1.7	1933	1904
AVERAGE			4.4	1.8		

*Includes $0.25 extra. †Coverage by indicated earnings. ‡Coverage by net operating earnings, excluding security profits and recoveries.

Average coverage of the current annual dividend rate of the 17 New York banks is 1.9 times 1946 net operating profits alone; if security profits are included, the average is 2.2 times.

Two weeks ago this column presented aggregate figures for 15 of these 17 banks (excluding Commercial National Bank and Continental Bank & Trust). These figures showed that during the three years 1944, 1945, 1946 aggregate dividends paid amounted to $201,122,000, while aggregate net operating profits were $379,181,000 and aggregate net security profits (excluding recoveries) were $94,968,000. Thus dividends were earned during the three years 1.88 times by net operating profits, and 2.36 times when security profits are included.

The average coverage ratio of dividends by the seven banks in Table II is very close to that of the New York City banks.

In most instances, dividends in relation to earnings are very conservative. First National's 1.2 coverage shows the least conservative dividend policy, but when security profits are included, the coverage moves up to 1.33. United States Trust also has a low coverage of 1.25, and 1.35 when security profits are included. Both of these institutions, however, have built up outstandingly large surplus accounts, relative to capital, over a long period of years. First National's surplus is $125,818,000 or 12.6 times capital, and U. S. Trust's surplus is $23,824,000 or 6.7 times capital. The average ratio of surplus and undivided profits to capital for the 17 New York banks shown is approximately 3.5.

It is interesting to note that many of the banks which have increased the dividend rate during the past year or so have, notwithstanding, some of the best current coverage ratios, such as: Bank of Manhattan, Corn Exchange, Manufacturers Trust, National City, New York Trust and Public National. Other banks which have recently increased dividends, either through direct increases or stock dividends, and yet also have good current coverage ratios, though not as high as those in the former group, are: Bankers Trust, Chase National, Chemical Bank, Guaranty Trust and Irving Trust.

According to this record, the current dividends of these banks, with only a few exceptions, appear to be amply secured by earning power.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Transfer of the Exchange membership of the late A. Heyward McAlpin to Allan H. McAlpin, Jr. will be considered by the Exchange on June 5th. Mr. McAlpin will do business as an individual floor broker it is understood.

Interest of the late Theodore J. Knapp, Exchange member, in the firm of Montgomery, Scott & Co., ceased on May 6th.

H. Rudolph Shepherd will withdraw from partnership in Charles Slaughter & Co. on May 31st.

Cameron in Tyler, Texas

TYLER, TEX.—Daniel F. Cameron is engaging in a securities business from offices at 211 North Broadway.

Factors Fixing Commercial Bank Investments

(Continued from page 6)

will be determined to a considerable extent by business activity and the movement of commodity prices.

(6) It must be based on the position of an individual institution and only broad generalizations can be made.

The investment policy of each bank must take into account the composition of its assets, the nature of its liabilities as well as the ratio of capital resources to risk assets. After all the above factors have been taken into account, and particularly after a careful examination has been made of the status of the individual institution, a sound investment policy can be evolved.

The Economic Scene in the United States

The economy of the United States is in transition. The sellers' market is rapidly being converted into a buyers' market, competition is increasing and business is becoming more and more risky. This naturally imposes an obligation on the banks to exercise more caution in their lending as well as investing operations. In a period of transition the credit standing of individual concerns is subject to rapid change. While a corporation may be in excellent financial condition today a rapid change in prices, particularly if it has large inventories, can have a decidedly adverse effect on its financial status. The banks must, therefore, take into account that inventories are large, prices high, that the buyers' resistance has set in and that a decline in prices is likely in the not distant future. The uncertain factor is whether the decline in prices will be orderly and of moderate proportions or will be precipitous in character caused primarily by fear psychology.

The long advertised business recession is finally here, although it cannot be readily detected because production is still at a high level, the national income is running at the annual rate of over 175 billion dollars and employment is satisfactory. Notwithstanding this high volume of business activity, however, several industries have already felt the impact of the recession. This applies to many soft goods, such as textiles, shoes and beverages. It also applies to such items as cosmetics, jewelry and frozen foods. Prices of these commodities were too high. There was no accumulated demand for them and even where such a demand does exist it can easily be postponed. Furthermore, production is at a high level and inventories are substantial. The above mentioned industries and others which are already feeling the effects of the recession will undoubtedly endeavor to liquidate inventories and this in turn will lead to the repayment of loans.

Building construction not only is not materializing as was originally expected but in fact has decreased materially during the last few weeks and the backlog which loomed so big a few months ago is rapidly disappearing. The principal reasons for this development are, of course, the high cost of building construction arising out of high wages of labor, the low productivity in the building industry and the high costs of building materials.

The significance of this development to banks, briefly, is this. The demand for mortgage money will be much smaller than was anticipated. Hence the pressure of funds in the hands of institutions such as insurance companies and savings banks seeking investment is greater today than perhaps ever before. Until construction costs decline and building activity sets in on a large scale, the supply of funds seeking investment will be greater than the demand for capital. This in turn indicates that an increase in money rates, particularly on obligations which are usually bought by insurance companies and savings banks is not likely in the immediate future. The contrary is more likely once construction costs have declined and building construction on a large scale sets in; however, the demand for mortgage money will definitely increase and this is bound to have an important effect on the capital market. Insurance companies and savings banks will endeavor to replenish their mortgage portfolios and not only will they not be in the market for bonds to the same extent as now, but also they may even be sellers of medium-term obligations which they have acquired during the past few years.

While commodity prices are high, and there are many uncertainties at present, one may conclude that the peak has been reached. So long as commodity prices remain high, however, the monetary authorities will follow a policy of reducing the volume of bank deposits as well as of narrowing the credit base. The policy recently adopted by the Treasury of redeeming each week 200 million dollars of Treasury bills is the most important that has been taken thus far. If continued, it will lead to a narrowing of the credit base of the country and may lead to a moderate firming of money rates, particularly on obligations which banks buy as a rule.

One finds two conflicting trends in the money and capital market, therefore. On the one hand, the monetary authorities are endeavoring to reduce the credit base of the country, thus curbing at least to some extent the lending and investing powers of the commercial banks, which in turn tends to firm money rates, and on the other hand, the lack of building construction and of new mortgages has made it exceedingly difficult for insurance companies and savings banks to find a suitable outlet for the funds rapidly accumulating in their possessions. Once commodity prices have decreased, however, and the danger of inflation which is still strong has disappeared, the policies of the monetary authorities will undergo a change. If the decline in prices is accompanied by a decline in the cost of construction it will, as stated before, set in motion large-scale building activity and create a substantial demand for mortgage money. At that time the credit base may be broadened by the actions of the monetary authorities, thus affecting money rates on obligations in which banks are interested, while at the same time the demand for mortgage money will bring about a firming of rates on obligations in which insurance companies and savings banks are interested. It goes without saying that a bank which seeks to adopt a sound investment policy will take into ac-

G. W. Cunningham Opens

GARWOOD, N. J.—George W. Cunningham will engage in a securities business from offices at 301 Hemlock Avenue. Mr. Cunningham was formerly in the trading department of James D. Cleland & Co.

Heller Co. to Admit

Stanley Heller & Co., 30 Pine Street, New York City, members of the New York Stock Exchange, will admit Lawrence K. Rachlin to partnership on June 5th.

count these conflicting tendencies and will pay particular attention to the movement of commodity prices, the cost of construction and building activity.

The Policy of the Monetary Authorities

Although the Treasury is less dependent on the money market today than for quite some time in the past and the Treasury instead of borrowing in the open market is now redeeming obligations held primarily by the commercial and reserve banks, the credit policies of the monetary authorities still play a very important role in the money and capital markets of the country. As in the past, so at the present time, banks must pay careful attention to the credit policies of the monetary authorities. At the present time the active role in the money market is played primarily by the Treasury. Its policy thus far has been to reduce the volume of bank deposits through the redemption of maturing obligations held primarily by the commercial banks. As a result, holdings of Government securities by the banks have already witnessed a material decrease.

More recently the Treasury has adopted a policy of redeeming Treasury bills. Since 90% of the bills are held by Federal Reserve banks, the redemption each week of $200 million leads to a reduction in their holdings of Government securities by about $180 million. In order to replenish its deposits with the reserve banks the Treasury has made calls on the commercial banks of the country, thus reducing their reserve balances. If this policy should continue, let us say, for 10 to 13 weeks, it will not only wipe out all the excess reserve balances held by the member banks of the country but also may force them either to sell short-, medium-, or long-term Government obligations to replenish their reserve balances or to borrow from the reserve banks.

The redemption of bills by the Treasury is even more effective than open market sales by the Federal Reserve banks because it affects all banks and not merely a few located in money market centers. It is a highly flexible policy and in all probability will be stopped as soon as the inflationary dangers have passed and commodity prices begin to decline.

The reserve authorities have so far played a passive role and the control exercised by them has been primarily qualitative in character. By maintaining high margin requirements against the purchase of securities, they have prevented the use of bank credit for speculative or investment purposes. Through enforcement of Regulation W they have prevented a too rapid increase in the volume of loans for the purpose of financing the purchase and sale of durable goods. So long as the supply of such goods is exceeded by the demand and so long as the inflationary dangers are prevalent, it would be advisable if Regulation W were continued.

In adopting an investment policy, a bank should give careful attention to the latest step on the part of the Treasury, i.e., redeeming Treasury bills. The bank must consider carefully how many securities it may have to sell in order to meet the calls on its War Loan Account. It must also bear in mind that if the redemption of Treasury bills continues, the money market may become much tighter than was the case for quite some time in the past. As was stated before, however, the policy of tightening the money market will continue only so long as prices are high.

Demand for Capital

The demand for capital by political bodies as well as private enterprise and for building activity must be taken into account before a satisfactory investment policy can be adopted. As was stated before, the demand for capital at the present time is limited. However, as soon as prices of commodities in general and building materials and the cost of construction in particular go down, the supply of state and municipal bonds as well as of corporate bonds will increase materially. At the same time the supply of mortgages will witness a material increase. Banks which operate with savings deposits, and particularly those institutions which as a rule hold state, municipal, or high-grade corporate bonds in their portfolios should arrange their portfolio in such a manner that they may be able to invest in these securities whenever they are offered. This in turn necessitates an investment policy at the moment which would enable the bank to sell short- or medium-term obligations later on in order to invest their proceeds in other high-grade securities offering a higher return than can be obtained in the market today. What it implies actually is that, irrespective of its position, a bank should have a certain amount of its obligations invested in short- or medium-term obligations which are highly marketable. Although the return today is low, they offer the bank an opportunity to take advantage of any future rises in interest. The holding of short- and medium-term obligations, particularly if they are Government obligations, involves no risk, since the short maturity will prevent any material decline even if the rate of return on long-term bonds should increase, caused by a considerable demand for capital. The potential demand exists although it has not yet materialized. The supply of State and municipal securities is bound to increase since there is an accumulated need for all kinds of public works. The supply of corporate securities will increase in order to finance expansion, modernization and to obtain additional working capital. That there will be an increase in demand for mortgage money once building activity sets in on a large scale, is obvious and needs no further elaboration.

Demand for Commercial Loans

The demand for loans by industry and trade has an important bearing on the investment policy of a bank. Under present conditions, with rising costs and declining earnings, banks naturally try to be fully invested. In the adoption of a sound investment policy a bank should take the following factors into account:

(1) If it anticipates an increase in loans it should be able to extend them without the necessity of selling medium-, or long-term Government or other obligations.

(2) It is a sound policy to be followed by all banks, irrespective of size, that cash readjustment should take place only through the liquidation of short-term obligations. When banks in general are forced to readjust their cash position, it is an indication of tight money conditions accompanied as a rule by declining prices of high-grade obligations. This may be only a temporary situation and it is unwise for a bank to be in a position where it has to sell long-term obligations even though prices are too low and an appreciation is certain in the future.

The volume of loans will increase although not to the same extent as was generally expected. The increase will be moderate, particularly if commodity prices should tend to decline, accompanied by the liquidation of inventories accumulated during the past few months. There will, however, be a demand for loans on the part of corporations which will need additional working capital caused primarily by the high cost of doing business and by the greater physical volume of business.

(3) The demand for consumer loans will undoubtedly increase as the supply of durable consumer goods increases. As was indicated before, the demand for mortgages will increase as soon as building costs decrease.

After taking into account all these broad factors—which apply to all banking institutions—it is now possible to consider the investment policy of the individual bank. This involves a careful analysis of the individual institution, namely, the nature of its liabilities as well as the types of assets already owned by it.

The Position of the Individual Bank

The first step to be taken by a bank in the formulation of a sound investment policy is to make a careful analysis of its deposits. This is necessary since obviously savings deposits will be invested differently from demand deposits. The handling of savings deposits may briefly be summarized as follows:

(1) At least 60% of the savings deposits of a commercial bank may be invested in long-term obligations—Government, State, municipal, and corporate, including mortgages. To the savings deposits should be added the capital resources of the individual institution after deducting owned real estate. Experience of the past has definitely demonstrated that savings deposits tend to remain steady and do not fluctuate as widely as demand deposits.

(2) Savings deposits will continue to grow, to be sure, at a slower pace than during 1945 and 1946. Furthermore, a decline in the cost of living, which will mean an increase in real income, may tend to stimulate savings.

(3) In considering the movement of savings deposits, a bank should also take into account the amortization on real estate mortgages and on bonds accruing each year. Savings banks naturally may hold more than 60% of their resources in long-term obligations including mortgages. This applies particularly to those institutions whose mortgage portfolio has decreased and whose ratio of mortgages to total invested assets is much smaller today than was the case prior to 1941. Furthermore if the portfolio of an institution consists entirely or almost entirely of Government obligations, the ratio of long-term obligations, ie ten years or longer, may be greater than 60%. This is due to the fact that Government obligation are, for all practical purposes riskless, have a ready market and for quite some time to come the Government bond market will remain a protected market.

At least 10% of savings deposits should be invested in highly marketable short-term obligations running from one to three years The rest should be invested in high quality obligations with a maturity of five to ten years. It cannot be stressed enough that now is not the time to invest in credit obligations which are bound to fluctuate considerably because of changing economic conditions.

The investment of demand deposits involves an analysis of the following factors: (1) the movement of deposits as such, i.e., whether deposits are expected to increase or decrease. In this connection, any possible shift in deposits from one section of the country to another, caused by the increase in production of durable goods, should be taken into account. (2) The demand for loans. The above estimated amounts should be kept in highly liquid short-term obligations, preferably Governments. As a rule of thumb, the rest of the demand deposits may be invested somewhat as follows: About 30 to 40% in obligations with a maturity up to five years and the remainder in long-term obligations. They may be either Government or other high-grade obligations. At the end of this period the business pattern may be different from the one which prevails at the present time and may require greater liquidity. Furthermore, a number of restricted Government obligations will become bank-eligible in 1952. These will range in maturity from 7 to 12 years and will therefore be highly suitable for bank investments. Banks holding obligations coming due in 1952 will, therefore, be in a position either to convert them into new obligations offered by the Government or to buy the issues now held by insurance companies and other non-commercial bank investors and which will become eligible during that year. Depending upon the position of the individual bank and particularly upon the ratio of capital resources to risk assets, therefore, the composition of the investment portfolio of a commercial bank as far as its demand deposits are concerned would then be somewhat as follows: 10 to 30% in short-term obligations, 50 to 60% in obligations coming due in five to seven years and 4 to 10% in long-term obligations. This, of course, is a rough estimate and each bank will have to take into account its own position, the type and quality of its loans, the ratio of capital to risk assets and the need for earnings before adopting a definite percentage.

Conclusion

While the investment policy of a commercial bank must be determined by its own position, namely, the composition of its assets and liabilities, it must of necessity take into account the rapidly changing economic scene of the country. The economic recession which set in some weeks ago is not likely to degenerate into a depression. To a large extent, the degree of the recession as well as its duration will depend on the movement of commodity prices. It is fairly certain, however, that competition will increase and failures will be greater than during the period when the sellers' market was at its height. The well managed bank will take into account these developments. It will pay due attention to the need for liquidity, while not overlooking the necessity of maintaining earnings in order to meet increased expenditures. In a period of transition credit bonds are not suitable investments for banks operating with other people's money.

Considerable care must be exercised in the handling of mortgages. While real estate prices have passed their peak, they are still too high and as soon as building activity sets in on a large scale, prices of older property are likely to decrease.

Notwithstanding the great changes that have taken place in the economy of the country during the past few months and the changed credit policy adopted by the monetary authorities, no material change in money rates is to be expected. High-grade obligations are bound to fluctuate moderately. Banks may, therefore, be sure that a repetition in the bond market of the events of 1920 is entirely out of the question.

Five With Hornblower & Weeks

BOSTON, MASS.—William E. Ambrose, Martin J. Carew, Jr., Charles F. Edgarton, Henry Hornblower II, and Gordon P. Jackson have been added to the staff of Hornblower & Weeks, 75 Federal Street, members of the New York and Boston Stock Exchanges and other leading national exchanges.

The Economic Outlook

(Continued from page 5)

conceal thought, and who generally uses language instead of thought."

Having heard me through you will be entirely free to fit my remarks into any one of those three classifications.

Almost two years have now elapsed since we began beating our swords back into ploughshares! And for most of that time we have been on a binge! By the middle of the fourth quarter of 1946, most economists recognized and agreed that we were taking a postwar joy ride on the crest of a boom.

By and large, that spree has been a boom in soft goods. And to a considerable extent it has been a boom in furs and fine feathers, doodads and gadgets. The makers of frills and fripperies have had a field day.

Early in December last, signs of a change appeared. "Sticky" goods moved to the bargain counters. The demand for fripperies bogged down. The New York night club operators began counting their houses again in fretful eagerness. And in the so-called "hot spots" rubber checks began to leap once more.

Naturally, I want it distinctly understood that this last observation is merely my best second-hand information. You could hardly expect a mere college professor to have any direct evidence on this score!

For some weeks now it has been increasingly apparent that the binge is over. And so now come the headaches!

In Line for Readjustment

A period of business adjustment or correction is either already here or it is just around the corner. Certainly, in a few lines of business, it is currently with us. In others, the corner may be one month off or two or three. But over the next four or five months it seems likely that many lines of business will reach that corner and that the turn in output, in price, and in trade will be downward. The slope seems definitely down.

Statistically, of course, we still seem all right. Output in most lines is still booming along at close to peacetime peaks. But production seems unable to push higher. Prices are very slowly tending downward but they still are teetering and tottering—some advancing and some declining.

Following the earlier slumps in the jewelry, fur, and night club trades, other soft spots are appearing. Department store unit volumes are slipping. The makers and sellers of cosmetics, cotton and woolen textiles, shoes, radios, and frozen foods are finding the going increasingly rough.

Retail buying commitments for the Fall appear to range around 50 to 60% of 1946 purchases. Surveys by the National Retail Dry Goods Association indicate a sharply increasing buying resistance.

Patches of unemployment are growing. Business failures are rising. Inventory expansion has almost ceased in the soft goods lines. Manufacturers of soft goods experienced their first postwar decline in shipments in March and a severe decline in April. Established houses are finding it more difficult to sell old and known brands. And new houses are liquidating.

Not a Complete Bust

Does all this mean that we are in for a general set-back that will make us slip into a complete bust? Personally, I do not think so. I realize, of course, that it is always easy to hypnotize yourself with the thought that "This time things are different." But I truly believe that they are different.

We do have in our current economic structure some extremely important and effective checks upon any long slide or deep decline. Our banks are extremely liquid. Outstanding loans in the main are sound and even negligible in relation to liquid reserves. An effective deposit insurance system is a sturdy financial prop. Farm prices cannot fall more than 25 to 30% before hitting the support of legally guaranteed prices. Unemployment benefit payments will cushion any drastic drops in current incomes. Large involuntary savings still exist. And the backlog of deferred demand for consumer durables is tremendous. And there is a current demand for these goods as well.

No, I take my position with those who believe that the adjustment or correction that lies ahead need not be serious. In fact, I believe that as the boom in soft goods completely runs its tether and peters out, durables will largely take up the slack. Yes, I believe that the extent to which durables fail to take up the slack may well measure the extent of any recession that we may experience.

Obviously, the one thing that could have effectively eased our transition from a sagging boom in soft goods over into a compensating upswing in consumer durables would have been vigorous and widespread activity in residential and industrial construction. And that construction activity we have not had because of shortages, red tape, excessively high costs, and wholly unpredictable costs. Moreover, any reasonable chance for construction to bring new life into the business picture and to take up slack soon just does not appear to be in the cards.

This factor, of course, will adversely affect the sale of such consumer durables as furniture, heating equipment, plumbing equipment, and household appliances of all kinds.

Durables to Take Up the Slack

Be all that as it may, I adhere to my belief that the depth of any recession that lies ahead will be largely measured by the extent to which durables fail to take up the slack. And to be extremely specific. I venture the guess that during 1947 the Federal Reserve Board's Index of Industrial Production will not drop from its present level of 188 to 190 to lower than 160. And I venture to say that the wholesale price index will probably not drop more than 15 to 20% from its recent peak and that unemployment will probably not climb to more than five millions.

Obviously, these are guesses and I am sticking out my neck.

As we teeter now on the verge of a business readjustment it seems to me to behoove all parties in the economic picture — labor, government and business—to reexamine the implications of the mass production and mass distribution that is needed to sustain our economy at reasonably high levels.

Importance of Balanced Income Among Consumer Groups

One such implication or principle is just this: to maintain high-level production and high-level employment for the long pull there is need for relatively well-balanced current income relationships among varied consumer groups. Our varied consumer groups must be in a position to trade with each other.

Right here is the real reason why consumer prices are disturbingly unbalanced at the present moment. Not the reason why they got that way but why they are that way and why they must be adjusted in their relationships.

Upon many groups of consumers the impact of rising taxes and of rising costs of living during the past six years has been terrific. Steadily, large numbers of our consuming families have had their disposable incomes cut by taxes. And taxes are a kind of first mortgage. They cannot be dodged with impunity. They must be paid in full, however high living costs may climb.

Furthermore, the principal cost of living increases have hit us right where it hurts—in the stomach. Food costs simply cannot be sharply reduced by the normal family. You can make old shoes and old clothing do for a while if prices look too high. But you must eat and you must pay taxes.

Since August 1939, farm prices have risen nearly 180%. Industrial prices have gone up only about 59%.

During the last year, 1946, 70% of the rise in the cost of living was accounted for by the increased prices of food items. Another 13.5% of the rise was due to increases in clothing prices.

To put in another way, five-sixths of the entire rise in consumer prices during 1946 can be accounted for by the price increase of food and clothing.

It is little wonder that our moderate income families are presently spending about 42% of their current incomes on food.

Couple this situation with the impact of mounting taxes over the past six years and you have a new and terrifically burdensome cost factor in the family budget.

THE LIQUIDATION OF THE MIDDLE BRACKETS

Net Taxable Income	Disposable Income After Impact of Taxes 1940*	1946*	Income 1946 After Taxes with an Impact of 53% decrease in Purchasing Power	Disposable Income needed in 1946 to obtain same buying power at 1940 income level
$2,000	$2,000	$1,810	$851	$3,250
3,000	2,969	2,620	1,231	4,891
4,000	3,930	3,411	1,603	6,531
5,000	4,890	4,202	1,975	8,168
6,000	5,850	4,955	2,329	9,845
7,000	6,767	5,708	2,683	11,412
8,000	7,683	6,423	3,019	12,954
9,000	8,578	7,138	3,355	14,564
10,000	9,472	7,815	3,674	16,149
11,000	10,344	8,492	3,992	17,677
12,000	11,217	9,131	4,292	19,248
13,000	12,067	9,770	4,592	20,759
14,000	12,918	10,362	4,871	22,320
15,000	13,742	10,953	5,148	23,814
20,000	17,664	13,607	6,396	31,082
25,000	21,157	15,918	7,482	37,609
30,000	24,386	18,030	8,475	43,666
40,000	30,448	21,903	10,295	55,130
50,000	35,872	25,205	11,847	65,551
60,000	40,680	28,109	13,212	74,811
70,000	45,136	30,727	14,442	84,467
80,000	49,262	33,061	15,539	91,571
90,000	53,058	35,109	16,502	99,127
100,000	56,524	36,873	17,331	106,132

*To put everybody on a comparable basis, the incomes after taxes shown above were figured for a married person with no other dependents, all income earned, no capital gains or losses.

Based upon a compilation prepared by William E. Dugan, Laidlow & Company, New York. Fortune Magazine, January 1947, p. 136.

Take a quick look at the accompanying chart. It shows what has happened to disposable incomes at varied levels since 1940 by reason of advancing taxes and costs of living. It shows, for example, that a person who earned $2,000 in 1940 would have to have a disposable income in 1946 of $3,250 in order to match his disposable income of 1940. Yes, even that a $10,000 a year man in 1940 would need $16,149 of disposable income, income after taxes, in order to match his earlier position in the market place.

Now only limited groups of consumers have sharply increased their current incomes during the past six years, 1940-1946. In the main the beneficiaries of sharp increases in current incomes have been two: (1) the farmer, and (2) the organized worker.

Farm income in 1946 rose to ten times the figure for 1940. The 14,800,000 organized workers have increased their current incomes by almost 80% since 1940.

But what about the 45,200,000 other wage earners? Many, if not most of these, have had their real wages reduced during the same period.

And what about the 14% of our families and independent single persons who depend for current income entirely upon returns from property or profits?

And let us not forget the fact that fully 38% of our families and independent single persons, according to the 1936 census analysis, depend in part for current income upon dividends, profits, interest and rents.

Position of Stockholder

In the depression year of 1939, total corporate profits represented 4.1% return on the dollar volume of sales. In 1946, a boom year, total corporate profits rose to 4.9%. The stockholder was thus 20% better off in available returns. But the weekly pay envelope of the organized factory worker in 1946 was 83% fatter than it was in 1939. The organized worker in terms of increase in current return was four times better off than the shareholder.

No, the forgotten man of the forties is the unorganized worker, the salaried man, the doctor, the lawyer, the teacher, the civil servant, the clerk, the pensioner, the middle bracket executive, and yes, the small shareholder.

The squeeze that taxes and food costs have jammed down upon that forgotten man in the current economic scene is one of the main reasons why unit volumes are slipping at retail, why accumulated savings are being dissipated, and why consumer credit is rapidly expanding.

Consumer goods, "soft" and "hard," nondurable and durable, must be bought by all segments of the market not just by the farmer and the organized worker. "Farmers and factory workers alone cannot buy the full output of the consumer goods industries."

The farmer and the militant unions have already had ample representation at the feast of higher current incomes. These groups are not out of balance on the down side.

The Round of Wage Increases

Another round of wage increases to the organized worker is now upon us in the general pattern of 15 cents an hour. And to the extent that wage increases of this size do result in increases in the prices of manufactured goods farm parities will rise and the whole process will merely compound the present maladjustments by lifting the smaller consumer groups already on the upside still further out of balance with the larger consumer groups that are on the downside.

Just what can business management do about the high food prices that have drastically lowered the consumer's ability to buy other goods? Of and by itself, business management can do very little.

Some declines in wholesale food prices have now set in and should be reflected in lower retail prices shortly. However, in terms of world-wide demand and world-wide shortage, it is still difficult to name even a short list of basic boom commodities of which prospective supplies can be considered excessive. Moreover the wet and cold spring has put our farmers a month and more behind in planting. The bottom lands yielding our best crops may have been disastrously affected. The prospects for bumper crops of slow maturing grains have undoubtedly been seriously hurt by delayed planting.

Urgent overseas demands mean continued Governmental buying for export. And here certainly business, through its representatives, has a right to insist that Governmental buying must avoid clumsy, extravagant, badly timed, and badly concentrated agricultural purchases for export. Similarly, it has a right to insist that the Department of Agriculture drop any and all procedures that limit domestic farm production. Yes, even to insist, as Beardsley Ruml has suggested, that the Department should put on a campaign for food conservation, for school gardens, for sharply increased production.

Now, of course, it is in the area of non-farm prices, in the making and selling of non-food products, soft, durable and industrial, that business management has a primary responsibility. And it is here that business management can act in the general interest.

High Production and Profit Margin

This fact brings us face to face with the second implication or principle of mass production and mass distribution, namely: That to maintain high level production and high level employment for the long run, business management must seek profits in low margins and high volume rather than in high margins and low volume.

Instinctively we all know that this is the formula for lasting prosperity and progress. Yet all too often in the individual business enterprise we simply do not apply that principle.

Yes, our current and future business and industrial goal is to put the maximum of needed and wanted goods of optimum quality into the hands of the maximum number of people at minimum costs.

I do not see how you can state that goal any more succinctly than that.

Lower costs are the essence of a sound approach to this problem.

I do not mean merely lower manufacturing costs. Nor do I mean merely lower sales costs, or lower financial costs, or lower administrative costs. The cost problem is not one of "either-or." It is a problem of lower total costs. For cost reduction is a means and not an end. The end desired is lower final prices and larger volumes.

And in this connection three things seem fairly certain.

First: We are not going to get lower total costs either merely or mainly by reductions in hourly wage rates, especially in the organized industries. Hourly wage rates in the organized industries are "highly resistant to downward readjustment," even in periods of acute depression.

Second: We are not going to get lower costs merely by working longer hours. I yield to no one in my admiration for our Senior Economic Statesman, Bernard Baruch. Every time he says something about the current economic scene it makes sense and logic. However, his recent suggestion of a 44-hour working week simply

will not be accepted. As yet, we have seen no labor union step forward voluntarily with an offer to contribute 10% additional time, four hours, without pay for the good of the cause—increased production. Nor are we likely so to see!

Third: We are not going to push on to new high levels of fabricated and distributed volumes by merely expanding the size of the labor force. And significant expansion seems impossible. While as I have said, patches or blotches of growing unemployment are now disturbingly apparent, Bureau of Labor Statistics indicate that unemployment was less than 2½ million in early April. And that figure is near the minimum generally considered unavoidable in an economy where people are continually free to change jobs.

Must Have Increased Productivity

What we must have then, apparently, is increased productivity.

Just what is this thing we call productivity? Certainly, here is is a concept that has extended implications or meanings.

Customarily, we think of it, I suppose, as something that is primarily or solely related to the process of fabrication or manufacture. But that is pestilent thinking! For properly considered, the problem of increasing productivity is more than a shop problem. It is more than a problem of the man at the bench or at the machine. It touches both halves of our business and industrial economy—factory production and market distribution. Yes, it involves workers at all business levels, wholesale and retail workers, administrative staffs, clerical staffs, etc.

It is difficult, of course, to measure increases in productivity. Only in manufacturing and in mining do we have convenient and adequate statistical measures. I refer, of course, to output per man hour figures.

And in manufacturing and mining, Bureau of Labor statistics indicate that up to the war, during the period 1909-1939, productivity increased by about 3% a year.

While this increase has been reasonably regular it has not been a natural, automatic, or annual growth "like the steady accumulation of rings on a tree." By no means!

Rather, when it has occurred in the factory and the mine it has been largely the result of seven things: (1) new processes, (2) new inventions, (3) new or improved tools, (4) increased capital investment per worker, (5) a further division of labor, (6) the upgrading of skills by training, and (7) the application of time and motion techniques by staff advisers to line supervisors.

During 1946, last year, our American industrialists spent almost $12 billions on plant and equipment—on tool power. And currently our industrial engineering brains are working feverishly to develop new time and material saving processes in an effort to lop off a cent of manufacturing costs here and a fraction of a cent there.

My own guess is that new and more efficient equipment, new technological processes, increases from less than capacity to capacity operation, and the like, will enable our manufacturing industries to achieve a 5 to 7% increase in output per man hour during 1947. And it is safe to say, I think, that the largest gains will be made by those durable goods plants that suffered so much last year from interrupted production by reason of interrelated work stoppages and shortages of materials and parts.

From the point of view of total costs, will the modest gains in factory output per man hour that can be reasonably expected in 1947 prove tremendously significant in the manufacturing industries? Definitely not! Certainly, there is little in the record or in the expectation to justify any notion that another annual plant wage increment of 5, 10, or 15% can be paid for entirely out of increased productivity. And the outlook for important price reductions on manufactured goods that can be completely charged off to increased factory output per man hour just isn't too rosy.

If the factory and the plant could really come to grips with the "make-work" and "featherbedding" practices of organized labor the situation would be different. Sizable and significant gains of perhaps 20 to 30% could be effected in output per man hour even within the current year.

Labor Union Rules Impeding Production

I refer, of course, to union rules that: (1) restrict the output of individual union members, (2) require the employment of unneeded workers, (3) require the performance of unnecessary work, (4) restrict the use of prefabricated products, and (5) restrict the use of labor-saving machines and processes.

In view of our fundamental economic need for increased output per man hour in the plant and factory, I personally find the attitude of some of our legislators somewhat bewildering. Senator Ball, for example, is reported to have said just the other day:

"We do not regard such things as featherbedding as coming within the legislative province. We feel that our job is to see that industry and labor sit down at the bargaining table on equal terms. . . . If industry can't keep featherbedding clauses out of its contract under these conditions it is industry's hard luck."

Be that as it may, in times like these, somebody somewhere should do something about "make-work" and "featherbedding" restrictions. And there certainly should be an effective implementation in the picture somewhere to make "doing something" possible. I dare say that I do not need to remind your own industry of the cost reductions that would be possible if you could make a slight dent on "stand by" rules, and on the "manning" table.

However, beyond the man at the machine and at the bench there is room for considerable increased productivity. We need badly to turn the spot-light of scrutiny on our administrative, clerical, and sales efforts. In these areas, new inventions, new tools, and the like may not prove too effective in increasing individual productivity. But by and large, we haven't scratched the surface in applying industrial engineering techniques to these areas of our business activity. There is much that could be done by a further division of labor, by staff study, by the upgrading of skills through organized training, by increasing the investment per worker in brain power if not in tool power.

Goal of Lower Total Costs

Lower total costs, I repeat, should be our business goal. During the war years and even through what H. I. Phillips calls the "reconfusion" period, for many manufacturers sales costs were simply a matter of transport and delivery. But now, as the pipe lines of supply fill up, as competition increases, it will be easy for the manufacturer to rebuild his sales force extravagantly, even to go hog wild in advertising expense and thus, insofar as total costs are concerned, completely offset any gains in output per man hour and low unit plant costs by mounting marketing costs.

The national interest dictates to every manufacturer at this moment a careful examination of pricing policies and pricing methods. This is no time for windfall profits nor for inventory profits. A manufacturer's prices are too high if they yield profits that are greater than may be necessary to assure needed production, a fair return, and an adequate flow of new capital into the business for replacement, modernization, and expansion.

In a given instance, if profits exceed these basic requirements, they should be cut voluntarily, and now. Similarly, every effort should be made to reduce costs, and now. It is imperative to get at the situation before operating losses become necessary to keep up sales, production, and employment. Wage increases will outlast profit increases as we all know and will stand as an obstacle to cost reduction unless we can increase productivity.

It is along these two lines that business management's contribution to an orderly economic readjustment lies. If the business man and the industrialist fail to do these two things, as many have obviously failed to so do, they will endanger not only the national prosperity but their own long term positions in the market.

Equally important, too, is a realization by the manufacturer of the current economic necessity to pass out achievable profit reductions and achievable reductions in cost in the form of decreased prices rather than in the form of increased wages.

A price decrease helps us all and especially the down-side consumer. A wage increase boosts only the recipient, only a segment of the market. And generally just now only the upside consumer.

And right here I should like to say that a general tax reduction, effective this year, will provide the only certain method of increasing the current disposable or spendable incomes of millions of consumers without at the same time affecting costs or prices.

Certainly it will be a serious mistake to defer tax reduction until such a time as serious unemployment may overtake us. If, as I think it is generally admitted, tax reduction can help us to forestall unemployment, is it not highly desirable to start to cut taxes now? I doubt that it can be denied that tax reductions must be made in advance of business recessions in order to be economically helpful.

Tax Problem

This is not the place to analyze the tax problem in detail. However, when we remind ourselves again of two things, the importance of that problem is obvious.

First: In the purchase of consumer goods, the disposable incomes of the entire consuming market are important, not merely the disposable incomes of the organized worker and the farmer.

Second: For continued prosperity, producers goods must be bought as well as consumers goods, and luxuries must be bought as well as necessary staples.

A tax reduction and increased take-home pay for the individual could make the problem of increased productivity much easier to solve. A tax reduction for the corporate enterprise could make for more confidence in innovation, expansion and the purchase of industrial capital goods.

And now as I conclude, let me say again that there are optimistic elements in the business and industrial picture.

Already some declines in food and clothing prices have set in. If the Government, in spite of world food shortages, can avoid extravagant, clumsy, badly-timed and badly concentrated buying for export, food prices may decline further and soon. And a 10% decline in food prices could increase the consumer's purchasing power by $4 billion on an annual basis. People who can buy food and textiles for a little less will have that much more to spend for other goods—soft goods and/or durables.

The backlog for unsatisfied accumulated needs for consumer durables is still tremendous.

Given a decline in food and textile prices, given a possible tax reduction on July 1 that will probably "up" consumer spending power an extra $3½ billion on an annual basis and we may do all right in 1947.

Given even a slight reduction in industrial and commercial building costs, and what is equally important a somewhat greater predictability of such costs, business and industry may soon resume their expansion programs. That will be especially likely if business and industrial management makes a real effort to increase productivity, if it realizes that increased hourly wage rates in plant and factory step up the possible gains from making goods under new physical conditions that are highly favorable for working efficiency. And if it realizes that completing a plant ahead of some business rival may secure important competitive advantages.

There is, then, some considerable basis for hope that the coming changes in the business situation may be merely orderly downward price adjustments and the correction of badly distorted price relationships.

It is true, of course, that someone sustains losses in every price decline. However, a precipitate and disorderly drop is not yet apparent.

Beyond these general statements I do not care to go. Nor beyond the current year. The long run future is just too "iffy" as former President Roosevelt would have put it to permit of long-range prophecy.

Any conclusions of mine, projected farther than the end of 1947, would be merely compounds of assumptions in the premises and as such they would probably be wide of the mark.

Buttenwieser, Lewine Head Appeal Div.

Benjamin J. Buttenwieser, of Kuhn, Loeb & Co., and Jerome Lewine, of H. Hentz & Co., have accepted the chairmanship of the

Jerome Lewine   B. J. Buttenwieser

Bankers and Brokers Division of the United Jewish Appeal of Greater New York, it was announced by former Governor Herbert H. Lehman, a Chairman of the city-wide UJA drive.

A $3,000,000 quota—double the amount raised last year by the same group—has been accepted by the division to help provide relief, rehabilitation and resettlement of European Jewry as well as the protection of civil liberties at home. Mr. Lehman added that New York City has accepted a quota of $65,000,000 to meet its share of the national United Jewish Appeal's $170,000,000 goal.

Mailing Mr. Buttenwieser's and Mr. Lewine's acceptance of leadership for the 1947 effort of the Bankers and Brokers Division, he praised their years of activity in the welfare and financial life of the city, and particularly their interest in the humanitarian organizations responsible for the survival and support of 1,500,000 victims of Nazi tyranny.

"They will bring to the bankers and brokers UJA effort an experience gained from their own successful business endeavors, coupled with a broad understanding of current social problems acquired in their community welfare undertakings," Mr. Lehman asserted, adding that the "primary objective of the 1947 United Jewish Appeal campaign was to speed the reconstruction of the lives of Europe's Jews and to restore them to a normal living."

Mr. Lehman, pointing out that the UJA metropolitan $65,000,000 drive is double the amount raised in the city last year, stressed that the sum is needed to finance the increased activities of the UJA overseas agencies and also maintain the programs of new organizations which have merged with the Appeal in recent months.

Warning that conditions have become more acute in war-torn Europe and that the needs of the Jewish people there have increased in one year, he declared,

"UNRRA has been liquidated, the population of the DP camps has trebled from 85,000 to 250,000, and there has been a recurrence of pogroms in Eastern Europe. This serious turn of events disturbs every American, and we in the United States have an obligation to keep alive the remnant of Israel. Their basic needs are so great—in terms of food, clothing, medicines as well as hope for the future—that no one of us can refuse to give all possible assistance.

"Thanks to America's magnificent support of the United Jewish Appeal in 1946, hundreds of thousands of lives were saved and many thousands found new homes in other democratic lands."

"This year," Mr. Lehman continued, "we are faced with the vital task of rehabilitating the lives of our brothers and make that life worth living. "We must breathe new life into the physical and moral skeletons of European Jewry who now move wearily over the face of Europe in a vain search for a haven to rest their emaciated bodies. Whether they live or die depends upon our efforts in America—whether the American people will oversubscribe the $170,000,000 UJA life-saving campaign."

The United Jewish Appeal of Greater New York now includes the Joint Distribution Committee, the American ORT Federation (which has integrated its vocational training program with that of the JDC), the United Palestine Appeal, the United Service for New Americans, the National Jewish Welfare Board, the Joint Defense Appeal of the American Jewish Committee and the Anti-Defamation League of B'nai B'rith, the American Jewish Congress and the Jewish Telegraphic Agency.

Bond Club of Chicago 34th Field Day

CHICAGO, ILL.—The 34th Annual Field Day of The Bond Club of Chicago will be held again this year at Knollwood Club, Lake Forest, Ill., Friday, June 6.

The general committee in charge of arrangements will be as follows: Chairman, E. Cummings Parker, Glore, Forgan & Co.; Vice-Chairman, Walter J. Fitzgerald, Jr., Harriman Ripley & Co., Inc.; Richard M. Delafield, The First Boston Corp., and Lee H. Ostrander, William Blair & Co.

It will be a day of golf, baseball and tennis, and there will be swimming pool events. Prizes for the winners of the various events will be awarded by the chairmen at dinner in the evening.

Where Do We Go From Here!

(Continued from page 5)

to us for strength and *we can only look to ourselves*. As a nation, we can rely on no outside help.

When we give our attention to the national scene, we face an amazing situation. Employment is at unprecedented levels. The national income is at twice the 1929 boom level. Our people have more than $150 billion in liquid assets and purchasing power. We have shortages and an insistent demand for goods in many lines. We are producing durable consumer goods at record peacetime levels. We have the United Nations; we have the International Bank for Reconstruction; and we have the atomic bomb. But, despite all of these highly favorable factors, our minds are full of fears and our hearts are heavy with forebodings. Our mental attitude is reminiscent of those dark days of childhood when a stern parent escorted us to the woodshed back of the house. We know that something is coming, although we don't know just how much or how intensively. We realize that we have had a long diet of the heady wine of credit expansion. In fact, it continued so long that some people had begun to think such continual expansion was the normal state of affairs. Now it seems, as in all such cases, that the pendulum has swung too far and corrective influences are beginning to dominate the economic scene.

The business cycle, which some businessmen seem to have conveniently forgotten, is beginning to reassert itself. As you bankers know, the downward swing of the business cycle is capitalism's "trial of combat." It is through this testing process that the luxuriant, hot-house growths of abnormal credit-expansion periods are pruned. In this war, capitalism ruthlessly weeds out the inefficient producers, the easy spenders, and the managerial "miracle-men" we hear so much about in boom times.

So, don't view the slackening of business as something abnormal or even as something undesirable. On the whole, it will be beneficial to the decent, efficient producers, if it does not get out of hand. And I hasten to say that I do not expect it to get out of hand.

Prices Too High

You know, and I know, that prices are too high and something has to be done about it. Prices have outrun purchasing power and consequently have to go down. The only question is whether they will be put down voluntarily or forced down by recession. In fact, the severity of the current recession will be determined by the ease or difficulty of this price adjustment. If every producer, if every distributor, refuses to eliminate wastes and cut costs, if they refuse to reduce swollen wartime margins of profit, if they resist the coming adjustment to the bitter end, then we are in for a serious time. On the other hand, if labor will go to work, if management will start cutting costs instead of devising excuses for putting prices higher, and if government will do its part of cutting costs and increasing purchasing power by balancing the budget and reducing taxes, then this recession should be little more than a momentary hesitation in our onward march. May I stress this: We still have the choice of the kind of recession we shall have—but time is running out on us.

The extent to which prices are outrunning purchasing power is graphically indicated in a chart in the March 14 issue of the "United States News." It shows that the average industrial worker who received $23.77 a week in August 1939 received $40.58 at the beginning of 1946 and could buy $30.91 of goods in terms of the 1939 price levels, was receiving in 1947 $46.21 per week but that he could buy only $29.62 of goods in terms of 1939. In other words, during the preceding 12 months, his average money wages went up $5.63 per week but his *real* wages declined from $30.91 to $29.62, a drop of $1.29 per week for each worker. White-collar workers, and those living on fixed incomes of course, have suffered a percentage decline in purchasing power equivalent to this loss and the increase of $5.63 which they did not get, or $6.92 per week.

Agricultural prices continue to lead all the rest. Record-breaking production and extremely high prices gave farmers a cash return from market sales last year of $23,950,000,000, which is more than three times the 1939 level of $7,877,000,000. And, in addition to this huge return from cash sales, farmers received $811,000,000 in benefit payments from the government giving a grand total of $24,761,000,000 for the year.

Bumper crops, in fact almost super-bumper crops, are forecast for this year for the principal agricultural commodities. In this connection, keep in mind that agricultural production last year in most of the principal crops ranged from 40 to 50% ahead of the 1935-39 average, with even bigger yields expected this year—and agricultural prices have been rising for seven years. The conclusion is obvious.

Production is really beginning to roll on the consumer durable goods front. Thus, according to the Radio Manufacturers Association, 4,231,415 radio sets were manufactured in the first quarter of this year, which is approximately double the pre-war output. Compared with the pre-war *high* in production, electric irons are nearly double, vacuum cleaners are 70% higher, and washing machines are nearly 50% higher. Also, the automobile and truck production rate of 5,000,000 per year is cutting into the backlog of demand in that field. In fact, this backlog is by no means as great as many people think. Thus, the Federal Public Roads Administration announced on May 11 that there were 33,945,817 automobiles, buses, and trucks registered in 1946, as compared with the pre-war and all-time high of 34,472,-145 in 1941.

The large number of cars on the road, the high rate of current production, and the prevailing high prices of cars will melt away the backlog of demand much sooner than is generally expected. While automobile dealers loudly proclaim that they have orders on their books for three or four years ahead, a dealer friend of mine tells me he now has to call up 10 to 15 "customers" to make delivery of *one* of the low-priced cars. Furthermore, anyone who thinks that as many of the three lower-priced cars will be sold at $1,500, delivered, as were sold at $800, delivered, has ahead of him a stiff "refresher" course in price economics. Just see that you don't pay for his lessons!

Labor productivity is beginning to increase and the strike front is relatively tranquil. Other than John L. Lewis, who is always unpredictable, the outlok is for a continuation of labor tranquility for the balance of the year in the basic industries. This eliminates many bottlenecks and will permit even higher rates of production in durable goods lines, where demand warrants.

Not only is production at high levels, inventories, too, are at all-time peaks, all along the line. Total inventories of some $37 billion and manufacturers' inventories of $21 billion reflect not only price increases but also enormous increases in goods hanging over the market. Taken in conjunction with our current high price structure, they present a real problem to business and banking. Like Samson of old, our strength may be our weakness.

Mounting production, huge inventories, high prices, and consumer resistance unerringly point to price adjustments—*downward*. The question is: Will business pull prices down or will prices pull business down?

Mr. Jack I. Straus, President of Macy's New York, calling for prompt and statesmanlike action on the part of businessmen, stated that prices could be reduced, in the following language: "Profit margins in many cases are higher than normal. These profit margins when pyramided from primary sources through the retailer are a substantial part of price rises. If on the part of everyone . . . there is a willingness to forego abnormal profits, prices can come down."

Financial Factors

Let us now take a quick look at some of the more significant financial factors. The most amazing development has been the rapid increase in loans. The increase of $5 billion in loans last year was the most rapid increase since 1919-1920 and the grand total of $32 billion was $3 billion greater than the World War I loan peak. Loans to commercial and industrial businesses increased nearly 50%, chiefly during the last six months of the year, to a record total of $14 billion. And, while commercial loans started to decrease a month ago, the total is still much larger than most people realize.

This loan expansion took place despite the credit tightening caused by the heavy retirement of government debt. Thus, beginning in March, 1946, the government marketable debt was reduced $23 billion by the end of the year, and another $4 billion should be retired by June 30, this year. Moreover, the monetary authorities have now embarked on more drastic credit restriction measures. That is the meaning of the recent announcement that the Treasury will redeem $200,000,000 of Treasury bills each week. As about 90% of these bills is owned by the Federal Reserve Banks, their redemption will reduce reserve balances much quicker than the redemption of certificates of indebtedness. The member banks, in order to meet their reserve requirements, will be forced to sell certificates, which probably will be acquired by the Reserve banks. However, since the banks, particularly the large ones, need a certain proportion of certificates for liquidity purposes, it is obvious that their sales must be limited. Furthermore, it would not be surprising if the Treasury were also to unpeg the bill rate.

It is, therefore, quite evident that the Federal Reserve authorities are endeavoring to tighten the credit base of the country in order to make it more difficult for the banks to expand their volume of loans.

Real estate loans of some $7 billion by commercial banks are the result of an increase of nearly 60% last year and are five times larger than the peak reached in 1920, after World War I. In the light of the current outlook, appraisals should be rechecked on a realistic basis as most of this huge total is loaned on old houses. Unfortunately, post-war building activity, notably that of new housing, has not come up to expectations and, in fact, is now declining. This is particularly true of large housing projects financed by private capital in the metropolitan centers of the country. The costs of private homes have risen 95.1% since 1939. This has resulted in such serious buyers' resistance that it is now estimated that only 750,000 houses will be started this year instead of the 1,500,000 originally planned. Clearly, there will be no improvement in building activity until costs of construction have come down. It is my opinion that this decline is already in the making and that, within a reasonably short period of time, construction costs will decrease from 15 to 25%, brought about by a decrease in costs of building materials and an increase in efficiency. A downward tendency is already noticeable in many items, especially in the price of lumber, which has been extremely high. Thus, the Department of Commerce states that lumber, which cost $1,000 in 1939, now costs $2,826, an increase of 183% with an increase in the four month period ending in February of 47%. The elimination of shortages and bottlenecks, through declining activity, and an actual increase in the productivity of labor will further reduce costs. During the last few weeks, while building activity was decreasing, a tendency in that direction has been evident.

As you bankers will know, the building industry is the key to future economic developments in the United States. A real decline in the cost of construction will set in motion a building boom and this in turn will have a favorable effect on the economy of the country as a whole.

In conclusion, let me say that, beyond question, the long advertised recession is here. Thus far it has affected primarily the so-called soft goods lines, such as ladies' apparel, cosmetics, shoes, beverages, frozen foods, jewelry, etc. Prices of these commodities were high, the quality of the goods was still relatively poor, and many buyers were either unable or unwilling to pay the price. The result has been a material decline in unit sales in these lines accompanied by an increase in the number of business failures. The recession is not yet fully apparent because business activity is still at a very high level, with the national income running at the annual rate of $175 billion, with employment plentiful, and with the index of industrial activity at around 190. However, some soft goods industries have begun to feel the slackening in demand and unemployment in these industries is gradually increasing. The encouraging thing, however, even in the soft lines, is the fact that whenever retailers put on their counters high quality goods, satisfactorily priced, the merchandise is sold without any difficulty at all, indicating clearly that a strong demand does exist, but at a price.

The recession is not likely to degenerate into a serious depression, primarily because as soon as prices of commodities go down many unfilled demands will be uncovered, thus setting in motion the forces of recovery.

Agricultural Prices

In the agricultural field prices are very vulnerable. Record-breaking crops are under way. Prices of farm products for delivery after the new crop is available show that substantial price declines are expected for all of the important crops.

The price of food is such an important item in the present cost of living that a decline in the price of meat, wheat, and similar products will mean a higher *real* income for all our people (consumers) and thus enable them to buy many more commodities than they can at current high prices. While such a decline in food prices will reduce the unprecedented income of the farmers, it will have a favorable effect on the balance of the economy and thus, on the whole, will be a favorable development.

The biggest problem confronting the country is that of bringing prices and purchasing power into line with one another. On our solution of this problem will depend the extent and severity of the current recession. But, in any event, there will be no repetition of 1920. There are floors under the principal agricultural products, there is still an enormous demand from abroad, there is still heavy purchasing by our government for the Army and relief in occupied territory, and there is more than $150 billion in liquid assets in the hands of our people.

So, what we are facing is largely the return of old-fashioned competition. The problems of competitive capitalism are once more with us. We must not let them get us down.

Pittsburgh Bond Club Annual Spring Outing

PITTSBURGH, PA.—The 22nd annual Spring Outing of the Bond Club of Pittsburgh will be held on Friday, June 6, 1947 at Longue Vue Country Club. Longue Vue is one of the beauty spots in the Pittsburgh district and is located on the heights overlooking the Allegheny River.

As usual, the Golf Tournament will be a principal feature of the Outing. In addition to the competition for the Bankers Cup, prizes for other events will be awarded. There will also be a Le Bocci Tournament and other sports, including swimming and diving.

Luncheon will be served in the Club Dining Room from noon to 1:30 p.m. and dinner in the evening at 7:30 o'clock. Following the dinner, will be an interesting program of entertainment. In addition to the prizes for Golf and Le Bocci, there will also be a number of attractive door prizes. The climax of the Outing will be the trading for automobile tickets and the award of the grand prize of a 1947 Fleetline Chevrolet Sedan.

President of the Bond Club, S. W. Steinecke of S. K. Cunningham & Co., Inc., has announced the following commitees:

General Chairman—R. W. Gladstone of C. J. Devine & Co., Inc.; Golf Committee—Chairman, Laird M. Arthur of Arthur & Guy, Inc., Charles Peelor of Blair & Co., Louis A. Hauptfleisch of Halsey, Stuart & Co.; Automobile Trading—Chairman, Ivan S. Dobson of The First Boston Corporation, Walter L. Howley of Chaplin & Co., Austin S. Umstead of A. E. Masten & Co.; Dinner and Entertainment—Chairman, L. W. Voigt of Hemphill, Noyes & Co., Charles McK. Lynch, Jr. of Moore, Leonard & Lynch; Le Bocci Committee—Chairman, Norman C. Ray of Kay Richards & Co., Paul A. Day of Glover & MacGregor, Inc.; Door Prizes Committee — Chairman Stephen L. Barron of Mellon National Bank & Trust Co., William L. Davidson of Farmers Deposit National Bank.

Phila. Secs. Assoc. Outing Committees

PHILADELPHIA, PA. — Committees for the Annual Field Day of the Philadelphia Securities Association, to be held Friday, June 13, at the Llanerch Country Club, Llanerch, Pa., are announced by William B. Ingersoll, of Stroud & Company, President of the association, as follows:

Chairman: Dudley R. Atherton, Jr., Lazard Freres & Co.

Co-Chairman: G. Ellwood Williams, Pennsylvania Company for Banking and Trusts.

Reception Committee: Paul Bodine, Drexel & Co.; Edward G. Garver, Bioren & Co.; Alfred W. Platt, Fidelity Mutual Life Ins. Co.

Golf Committee: Newlin Davis, Kidder, Peabody & Co.; John D. Foster, Real Estate Trust Co.

Entertainment: Llewellyn W. Fisher, Paul & Co.

Prizes: Harry Heffelfinger, S. K. Phillips & Co.; James J. Mickley, Corn Exchange National Bank.

Inflation, Interest Rate and Public Debt Management

(Continued from first page)

United States Government, which stood at \$40½ billion in June, 1939, stood in March, 1947 at \$259 billion.

The connection between the size of the public debt and the volume of bank deposits has been very direct and immediate. With each succeeding war loan the commercial banks bought what the people would not buy, expanding their deposits as they did so. On Dec. 31, 1945, after the last war loan, the holdings of Government securities by the commercial banks stood at \$90,613,000,000, and demand and Government deposits of the commercial banks stood at \$106 billion. In the last war loan the Government very greatly overborrowed, and it began repaying part of what it had borrowed from the commercial banks out of its deposits with them. Bank holdings of Government securities dropped from \$90,613,000,000 to \$74,810,000,000 between December, 1945 and December, 1946, and deposits dropped correspondingly from \$106 billion to \$92½ billion.

In recent weeks we have had a new phenomenon. The Government has been paying down part of its public debt out of an excess of revenues over expenditures.

There is danger that some may feel that this last development, the paying down of Government debt in the banks out of a fiscal surplus, represents a sufficient turn in the tide. But we have still so vast an expansion of bank credit and money that very dangerous potentialities would remain even if there were further great reduction in volume. We cannot possibly make an adequate reduction in the volume of bank deposits and of money in circulation by this method alone, and there is grave danger, moreover, in having taxes as high as they are today, particularly corporation taxes and income taxes in the upper brackets.

Bank Loans

Since V-J Day there has come another phenomenon in our banking figures. The commercial loans of the banks have increased at an extraordinary rate. For the Reporting Member Banks alone, in 101 major cities, the figure stood at \$6 billion in July, 1945, and at \$11 billion in March, 1947, an increase of 83⅓%. This is a much greater increase, both in dollar volume and in percentage, than took place in our great postwar boom, 1919-20, when the rise in loans from May, 1919 to May, 1920 was about 33%, or \$3⅓ billion, for these same banks.[1]

[1] Available figures do not segregate commercial loans from other loans for May, 1919.

The real estate loans in these same banks between July, 1945, and March, 1947, rose from \$1,051,000,000 to \$1,670,000,000, an increase of 59%.

Scarce Goods and Forced Wage Increases

Now this price rise is by no means due entirely to the increased quantity of money and bank credit. Through the war, goods grew steadily scarcer. We have had since V-J Day, as we had following the Armistice of 1919, a tremendous export of goods from the United States to war-stricken countries, far in excess of the volume of goods coming in. In the 1919-20 boom this excess was paid for to the extent of about \$3 billion by loans made by the United States Government to foreign Governments, but the major part, or more than \$3½ billion, went out financed by private credit. This time very little private credit is being given. Practically all of the excess has been going out either as outright undisguised gifts by the United States Government, or as what we may well regard as gifts disguised rather thinly as loans. But in this process our markets have been drained of goods, and very especially of wheat, which would otherwise be selling here at lower prices.

In the second place we have had since V-J Day an extraordinary volume of interruptions of production due to strikes and labor disturbances. And we have had a low efficiency of labor due partly to bad union policies, due in part to the fact that men were turning from old jobs to new jobs and needed time to learn their new jobs, due partly also to the fact that there have been scarcities of particular parts which have meant occasional layoffs and which have reduced the incentive of men on the job to do full work lest other layoffs should come through the scarcity of essential parts. Moreover, our ralroads, overworked during the war, have been short of freight cars and other facilities and have constituted a bottleneck at times on production. There have been and there remain acute scarcities of particular commodities needed in production, among them special types of steel and building materials. There have been inefficiencies of management due to strain, tension and uncertainty. We have had, moreover, both during and since the war, the scarcities created by our 40-hour week legislation. And we have had a forced rise in wages, forcing up many other prices, through union labor monopolies, backed by Government pressure.

Inflations Move in Zigzag Curve

Not even the wildest inflation moves in a straight line upward. The most speculative and sensitive prices rise and fall repeatedly. In the course of inflation grave distortions come. The price and cost system gets badly out of balance. In important industries profits turn into heavy losses, as their costs mount much faster than their prices. Particular prices get so badly out of line that demand falls off sharply. Reactions come in which the general level of prices and volume of activity break, even though the upswing is subsequently resumed. A violent inflation is a matter of peaks and valleys. There are no financial devices which will level inflation off into a smooth plateau.

Inflation, in Monetary Sense, Less in 1919-20 Than Today

It was incorrect in 1919-20 to apply the term "inflation," in the monetary sense, to the great boom of that period, except for part of 1919. The rising bank loans of that period were a reflex rather than a cause of the phenomena that were taking place. They were made with increasing difficulty. We were firmly on the gold standard and we were losing gold to the outside world. We were losing gold as well as goods. We could not draw on our credits in Europe, where we were sending the great bulk of our exports, to pay for the excess imports which we were getting from Asia and Latin America, because Europe had no surplus credits in these countries either. Europe was buying more than she sold in her dealings with them also. We therefore had to send out gold to Latin America and Asia. The reserves of our Federal Reserve Banks went down. The reserves of our member banks were under constant pressure, and the expansion of bank loans went on at steadily rising rates of interest which reached 7% and even 8% for the good customers of great city banks in 1920. Today, however, bank credit expands against commercial borrowing or other borrowing with the greatest of ease and at fantastically low rates of interest. The factor of money and bank credit is far more significant in price rise of today than it was in 1919-20.

Federal Reserve Manipulation of Interest Rates

The gravest danger of all in our present situation is the absurdly low rates of interest based on Federal Reserve Bank manipulation. The great expansion of bank credit during the war would not have been possible if the Federal Reserve Banks had not bought some \$24 billion worth of United States Government securities. When they buy Government securities they pay for them with checks on themselves which come into the possession of the member banks and which the member banks redeposit with them, building up member bank reserves. Bank credit expansion, of deposits on the one hand, and of loans and investments on the other hand, takes place on the basis of reserves in excess of the legal reserve requirements. Since 1933 and especially during the war, the Federal Reserve Banks have seen to it that the member banks always had sufficient excess of reserves to enable them to expand credit at fantastically low rates of interest.

Parenthetically, when one says "Federal Reserve Bank manipulation" it may be that the Federal Reserve Banks, as banks, should not be charged with the major responsibility for this folly. The decisions as to when the Federal Reserve Banks shall buy and sell Government securities are made by the Open Market Committee, on which the Board of Governors of the Federal Reserve System in Washington has had a majority of the votes since 1935, and the Federal Reserve Banks are helpless in this matter under the law if the Board outvotes the representatives of the Federal Reserve Banks on the Open Market Committee. It is probable that there are men in the Federal Reserve Banks who are as deeply disturbed by these low rates of interest as anybody else could be.

Interest Rates and the Public Debt

The existing low interest rates have been made possible only by a substitution on a wholly unprecedented scale of bank credit for the savings of the people in financing the war. This in turn has been made possible only by the gigantic purchase of Government securities by the Federal Reserve Banks themselves. The low interest rates and the gigantic volume of bank credit and money in circulation constitute a continuing threat of a wild inflation. We must reverse this process. We must get the Government securities out of the banks and out of the Federal Reserve Banks, and in the process we must reduce on a great scale the volume of bank credit and the volume of money in circulation.

How to Shrink the Volume of Money and Bank Deposits

How is this to be done? It is to be done by offering to the people long-term Government bonds at rates of interest that will really attract them. What those rates will be I do not venture to say. I think that they can be intermediate between the existing rates on long Government bonds and the rates that the Government paid on its long-term bonds in World War I. This view rests on the conviction that the effort to raise interest rates, both on Government securities and in the general money market, would set into operation powerful counterforces tending to hold rates of interest down. These counterforces are:

(1) An adequate rate of interest on savings deposits would bring in from the people a great deal of their hoarded cash. The existing rates on savings deposits are so low that, to many people, they do not make savings deposits worth while. This cash, deposited in commercial banks, and by them deposited in the Federal Reserve Banks, would replenish commercial bank reserves, and tend to hold down interest rates. With commercial paper and customers' loans at higher rates of interest, and with bank reserves going down as the Federal Reserve Banks sold Government securities, the commercial banks would have a real incentive for making small depositors welcome on checking accounts by reducing service charges or eliminating service charges. They would need their cash. They would pull in another large part of the \$28 billion of money in circulation in this way and in the process we should ease off the pressure on bank reserves, thus tending to hold interest rates down.

(2) As the Government sells long-term bonds to the people and the people pay for them with checks drawn on the commercial banks and the Government uses the funds thus obtained in buying back its securities now held by the commercial banks, we should see bank deposits going down rapidly. This would mean that the legal reserve requirements of the commercial banks would be reduced and this would tend to hold interest rates down.

There is so much slack in the existing volume of bank deposits and of money in circulation that a refunding operation, in the course of which the Treasury and the Federal Reserve System carefully cooperate, could go very far without raising interest rates high even though we greatly reduced the Federal Reserve Banks' holdings of Government securities and even though we very sharply reduced the reserves of the member banks by so doing. It is still possible to fund the vast floating debt of the Government at moderate rates of interest.

If, however, we let the matter ride until violent inflation is upon us and until real question has arisen in the minds of the people as to the goodness of the dollar, then the Treas-

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Inflation, Interest Rate and Public Debt Management

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ury will face a very difficult situation. Interest rates always rise in a violent inflation, particularly when currency distrust is involved. Everybody is eager to borrow for speculation in commodities or for the purchase of real estate or for the purchase of common stocks, or for the purchase of anything that has real value. Loans, on the other hand, are unattractive. They are no better than dollars. They are not as good as dollars because you can't get dollars for them until they mature, and meanwhile the dollar can have gone down in value a good deal. Lenders, therefore, are increasingly reluctant to lend and demand higher and higher rates of interest, which borrowers are perfectly willing to pay. In such a situation the Treasury, with its great volume of unfunded debt, would have to meet maturities at steadily rising rates of interest. Its only alternatives would be (a) to repudiate or (b) to force the Federal Reserve Banks to purchase more Government securities, which would mean more fuel for the inflation.

Much of this has been emphasized repeatedly in private discussion while the war was on, and in public discussion since the war, by informed economists and bankers.[2]

The Postwar Policy of the Board of Governors of the Federal Reserve System

There is as yet no evidence that the Treasury and the Federal Reserve System have any intention of reversing policy and cleaning up the vast excess of bank deposits and money in circulation which they have created. There was a very disheartening special report on credit policies submitted to Congress on June 17, 1946 by the Board of Governors. The preamble is encouraging. It says, "There can be no doubt that the country's money supply, several times greater now than ever before, is and will continue for an indefinite time to be much in excess of available goods. Under such conditions, with heavy drains of war financing no longer existing, public policy calls for vigorous attack on the basic causes of inflationary pressures. This, in turn, requires that the Government stop, and reverse, if possible, the process whereby it has created bank credit." After this preamble, however, the Federal Reserve document becomes discouraging in the extreme. It declines to reverse the low interest rate policy, giving as one reason, "the Reserve Board's assurance to the Treasury that the rate of 7/8% on one year certificates will be maintained, if necessary, through open market operations." Its own proposal involves the request for additional powers for the Board of Governors to control the use of bank funds. One request is for additional power to raise reserve requirements which, if used, would tend to raise interest rates, but as the report indicates that they do not wish to raise interest rates, one wonders why they ask for this additional power.

Another very alarming proposal is that the Board be given authority to compel the member banks to hold a specified percentage of Treasury bills and certificates as "secondary reserves" against their net demand deposits. Now this use of the term "secondary reserves," to a man who understands banking, is an abuse of the English language which it is difficult to characterize justly in temperate words. It is an illustration of "New Deal semantics" under which the rule is to call a bad thing by a good name, as for example, calling deficit spending "investment."

A bank's secondary reserve is made up of highly liquid assets which the bank is free to use at its own discretion. It may sell them to get additional funds to meet a run. It may sell them to get additional funds to lend to its customers. Country banks regularly accumulate them after the crop moving is over so that they may have them available when the pressure comes in the following year. Government securities which a bank must hold as a specified percentage of its net demand deposits are not secondary reserves. They are fixed investments which can be reduced only in a fixed ratio as net demand deposits go down.

I denounce this proposal as one which would go far to destroy the flexibility and the usefulness of our banking system. It evades the real issue, and it muddies the waters.

The Fears Regarding Increased Debt Service and the Capital Structure of Banks Through Increased Rates of Interest

There is fear in the Treasury regarding funding the public debt at rates of interest which would attract investors' money, on the ground that it would increase very decidedly the interest charge on the public debt, making more difficult the balancing of the Federal budget. There is fear in the Federal Reserve System that increased rates of interest on long time Government bonds would bring down the price of the existing long-term governments (which is true), and that this would impair the capital of those banks which now have excessive holdings of long-term Government bonds. One may suppose that these two fears have had much to do with the delay of the Treasury and in the Federal Reserve System in taking the necessary action.

With respect to the debt service, let it be said that the question is merely one of time. As I have already shown, a violent inflation will radically raise interest rates which the Treasury must pay as it issues new obligations to meet maturities on the vast unfunded floating debt. If we act promptly we can fund the debt now at moderate rates of interest, though the rates will have to be above the existing rates.

Balancing the Budget

With respect to the balancing of the budget, it must be said that this is a problem which we have not yet realistically faced. The fact is that we must contract, rather than expand, the functions of the Federal Government drastically and radically if we are going to remain solvent. The necessity of increasing the debt service in the Government's expenditures makes all the more imperative a radical reduction of other expenditures. It is difficult for the Congress to do this without Executive assistance and against powerful Executive and bureaucratic resistence. That the bureaus have no disposition to contract is strikingly enough evidenced by the increase in the civil servants in the departments other than War and Navy by 250,000 people between June, 1945 and June, 1946. The Navy and the War Departments decreased their civil servants by a greater number during that same period. But abolishment of some war agencies and cutbacks in others seemed to have meant merely that many of the "displaced persons" went as refugees to other Government Departments. We must have a drastic cleaning out of the Civil Service and a drastic elimination of unneeded Federal Government functions. We must even eliminate expenditures for which a good case could be made if the Government were rich and could afford them. The fact is that the war has made us poorer, and that we cannot afford a great deal that we previously thought we could afford.

Expenditures on Veterans

We must contract very radically expenditures on our veterans. We love them. They are our sons and daughters. But they are not a class apart. There are over 11 million of them. They are in every family. If they act politically as a class apart they can, of course, ruin the Treasury, ruin the dollar and ruin their families and themselves. Few politicians dare resist them. But they are our sons and daughters. They are part of the country. The future of the country is theirs. They also are taxpayers. They themselves must be taught by those who love them and by those among them, a numerous body indeed, who understand financial matters, to hold back in their demands upon the Government. Much indeed of veteran expenditure is not in response to veteran demands, but is initiated by politicians who hope for veteran votes.

The demands of our War and Navy Departments for funds to keep us in readiness for danger we must also scrutinize. We must keep in readiness for danger, but keeping solvent and keeping the dollar strong are part of that preparation for danger.

Protecting the Capital Structure of Banks

With respect to the fear for the capital of banks which have too many long-term Government bonds if a refunding program at higher rates is carried through, I repeat a proposal made earlier to let those banks subscribe for the new issues of Government bonds with their old issues, not on the same terms as cash subscribers, but at a discount let us say of 2% from par, so that they will lose something but will not lose their depositors' money. Let these banks also in this process be required to take Government obligations of shorter maturity. But let no banker be under the illusion that the existing high prices of long-term, low-coupon Government bonds can be indefinitely maintained even though the Federal Reserve Banks now stand ready to buy them. The Federal Reserve Banks cannot buy them when, at a later time, they are struggling to resist a great inflation, without feeding the very inflation they are trying to resist.

Qualitative Versus Quantitative "Inflation"

Qualitative "inflation" of the currency comes when gold payments of paper money are suspended and the paper goes to a discount as measured against gold or as measured against foreign exchange of gold standard countries. We had this in our Civil War period. The paper money, a dishonored promissory note, fluctuated as against gold and sterling exchange with every change in the news that affected the prospect of redemption. The Battles of Gettysburg and Vicksburg, for example, in 1863 pulled down the gold premium from 45% to 22%. The Battle of Chickamauga knocked down the Greenback in its relation to gold by about 4% in a single day. Here was qualitative deterioration.

The quantity of such paper money outstanding is usually a major factor affecting the prospect of redemption. But in 1862, the first year of the Greenback period, we had a sharp reduction in the quantity of money in circulation. Gold disappeared from circulation. State bank notes were reduced in volume. Throughout the year there was a money shortage. But the money was inferior in quality, and it went to a discount, and commodity prices rose.

We had qualitative inflation when we went off the gold standard in early 1933 and when, immediately following the Gold Reserve Act of early 1934, the President cut the gold content of the dollar to 59.06% of the old gold content so that an ounce of gold would make $35 instead of making $20.67. Here again we were able to measure the qualitative deterioration in our money against French francs and other gold standard currencies in the foreign exchange markets, and also against the price of gold in the London gold market.

The immediate effect, upon commodity prices, of cutting the gold content of the dollar was exceedingly disappointing to those who thought that currency manipulation could control commodity prices, and the effect in the following years was virtually *nil*. Despite the cutting of the gold dollar, the Index of the Bureau of Labor Statistics, which had been 100 under the old gold dollar in 1926, averaged only 75 in 1934 and only 77.1 in 1939. We destroyed so much confidence in the world when we debased our dollar that gold rose in value as against goods, and prices, measured in the new and smaller gold dollar, rose very little. But it may well be that part of the rise in commodity prices since 1939 represents a belated response to the debasement in 1933-34.

The great expansion of bank credit that took place in this country between June, 1922 and April, 1928, amounting to $13½ billion in deposits and $14½ billion in loans and investments, represented not qualitative inflation, but rather a quantitative inflation. We stayed on the gold standard. Our commodity prices did not rise. The great excess of bank credit went into stocks, bonds and real estate, and there was a wild inflation in the stock market.

Excess quantity, however, is very apt to impair quality.

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2 See, for example, the memorandum by the present writer, endorsed, without reservation by twenty-two other economists, members of the Economists' National Committee on Monetary Policy, and by two other members of the Committee with reservations, which was submitted to the Treasury and the Federal Reserve authorities while the war was still on, and which was subsequently printed in the "Commercial and Financial Chronicle" of October 18, 1945 under the caption "Inflation Control and the Treasury's Borrowing Policy." Reprints of this article are still available from the Capital Research Company, 650 South Spring Street, Los Angeles 14, California, and from the Economists National Committee on Monetary Policy, 1 Madison Avenue, New York 10, New York.

The quality of our bank credit definitely deteriorated with this great excess, as was revealed dramatically in the bank tragedies which followed in the years 1930 to the banking holiday of early '33.

Restoring the Full Gold Standard

We should restore the full gold standard in the United States, but as a preliminary to doing that we should greatly reduce the volume of paper money outstanding and the volume of bank deposits outstanding so that there will not be doubt as to our ability to redeem in gold. To make it possible for the Government to protect the quality of our currency by paying out gold on demand, we should radically reduce the gold demand obligations. Funding the public debt on the lines I have described above would accomplish this.

We have not changed the nominal gold content of the dollar since February of 1934, and the power of the President to make a further change in the gold content has been taken away from him by Congress. Our legislative status with respect to the gold content of the dollar, however, is insecure. There are two other provisions of that Gold Reserve Act of 1934 which remain dangerous. They relate to the so-called buying price and the so-called selling price of gold. The Secretary of the Treasury still has it in his power to vary these without reference to the gold content of the dollar and without reference to one another. These are provisions which should certainly be stricken from the law forthwith.

Despite the great abuses to which our currency system has been exposed since early 1933, there has been little evidence of domestic distrust of the dollar. Down to the outbreak of the war in '39 the Treasury performed well in releasing gold for export whenever the dollar went to the lower gold point in the foreign exchanges. Moreover, dentists, jewelers and others who need gold for industrial uses can get the gold from the Treasury at the fixed price of approximately $35 an ounce. We had a great flow of gold coming to us because we had, nominally at least, a fixed gold content for the dollar whereas Britain and a good many other countries had no fixed pars. Moreover vast quantities of gold came to us through fear of Hitler and through fear of war in Europe. It came not so much because Europeans trusted the dollar as because they distrusted European currencies and the physical safety of gold in Europe and the United States seemed to be the least dangerous place. Our own people, for the most part, continued to trust the dollar.

Some domestic distrust was manifested in substantial purchases of gold in London by Americans. But the effect of this was overwhelmed by the great influx of gold sent by foreigners who distrusted Europe more.

Our people could not manifest distrust of the dollar by demanding gold from the Treasury or the Federal Reserve Banks. It wasn't available for them. They cannot today. But there are other ways in which domestic distrust could manifest itself.

A domestic distrust of the dollar would for one thing show itself very speedily in a sharp break in the prices of long-term bonds. When the community grows afraid of the quality of its money and grows afraid of what the money will be worth ten years hence and 20 years hence, it is going to have a greatly reduced desire to buy or to hold the promises to pay dollars ten years hence and 20 years hence. We have not seen anything of that sort since the quiet panic in Government bonds in September, 1934.

We could, of course, have had a manifestation of domestic distrust in a great rush to purchase commodities, real estate and stocks. We had this as a factor in the stock market from time to time in the period 1933 through 1937 and it has doubtless been a factor in both stock and real estate markets since 1939. It may well have been a factor in our great post-war commodity price rise, though I am inclined to the view that scarcities, coupled with the pressure of the sheer mass of money and credit, and high wages have been greater factors in the commodity price movement.

The Absence of Free Gold and Foreign Exchange Markets

After the Civil War, after the first World War and after the debasement of the gold dollar in 1933, free gold markets and free foreign exchange markets could register promptly qualitative deterioration in a country's currency. But these markets are so tied up with restrictions today that they tell a very uncertain story. If we look in the New York foreign exchange market we do not find evidence of discount on the dollar in terms of foreign exchanges. Rather we see sterling in one or another form selling at a discount in New York well below the so-called official rate of exchange. The official rate of exchange is around $4.02 a pound, but sterling currency has lately been selling at $2.95 to $3 in New York, and blocked sterling which can only be used in purchasing British Government securities has been selling at a greater discount, $2.65 to $2.75. Canadian dollars have been selling at a discount of around 9% from par in New York.

But this represents not so much the strength of the dollar as the weakness of the currencies of other countries which are off the gold standard. The official foreign exchange rates of many countries, among them France and India, are high above the actual value of their currencies at home and mean very little.

When dollars come into black markets or tolerated free markets against these weak currencies, the actual exchange rates are much more favorable to the dollar as a rule than the published official rates would indicate.

The Standing of the Dollar in Gold Markets Abroad

On the other hand, our dollar has shown startling signs of weakness when measured against gold in various foreign markets. Whereas an ounce of gold is supposed to be worth only $35, within recent months it has taken $70 and $75 to buy an ounce of gold in India. In the Argentine gold bars have sold in the neighborhood of $40 and gold coins have sold from $60 to $70. In Syria and Egypt the price of gold has been around $50 per ounce. Portugal has had quotations around $40 and even Switzerland has seen a price of about $38. In Switzerland, moreover, dollar paper currency sells at a discount against Swiss francs, as well as gold.

Difficulties Made by International Monetary Fund and Bretton Woods Agreements

Now our gold standard is supposed to be protected in the foreign exchanges by the Treasury granting licenses for export of gold whenever the dollar goes down to the lower gold point, that is to say whenever it would be profitable to ship gold to a foreign country. These high quotations for gold in terms of American dollars or these startling discounts on the dollar measured against gold in the foreign countries I have named may be due in part to the Treasury's reluctance to let gold go.

But it seems probable that a great deal of it is due to the difficulty which the Treasury would have, or which an American bank acting under license from the Treasury would have, in getting gold into a foreign country without breaking the official exchange rate of that country's currency as against dollars. If the only way in which gold can lawfully come into India is through being sold to the Reserve Bank of India at the official rate, which is 30c to the rupee, there is very little which can be done by our Government to protect the dollar in the internal gold markets of India. If our Treasury, or American banks acting under license of the Treasury, could take gold directly from this country to the Indian gold markets, selling the gold for rupees at the actual price in rupees, and use the rupees thus acquired in buying dollars, then very speedily we could bring the dollar in India back to $35 per ounce of gold.

The matter is complicated by the existence of the International Monetary Fund and the Bretton Woods Agreements. These Agreements provide that the International Monetary Fund shall prescribe a margin above and below par value for transactions in gold by members, and that no member shall buy or sell gold at a price above or below these prescribed margins. The Agreements further provide that the maximum and minimum rates for exchange transactions between the currencies of members taking place within their territories shall not differ from parity by more than 1% in the case of spot transactions and, in the case of futures, by a margin which the Fund considers unreasonable. Each member country adhering to the Fund undertakes to prevent transactions within its own territory which shall deviate from these rules.

Now, in point of fact, transactions are taking place at wide margins above and below the nominal parities. The Fund itself seems to be sitting helpless. Recent testimony by Mr. Harry D. White on April 3, just before his resignation as American Representative in the Fund, was to the effect that so far the Fund had done virtually nothing.

Mr. White testified that no demand had been made on the Fund for foreign exchange, though he expected some applications before the year is over. The present pars which have been communicated to the Fund are uncertain and countries in need of foreign exchange may feel it wise not to apply. ("Commercial and Financial Chronicle," April 10, 1947, page 44).

But the existence of the Bretton Woods Agreements and the limitation which it imposes upon official action by the United States in foreign countries may, in part at least, explain why our dollar has not been better protected in foreign gold markets.

Under these circumstances the official foreign exchange rates tell us little, and the gold prices and exchange rates in isolated markets give us very uncertain clues. Qualitative deterioration is difficult to measure with precision when markets are not free and when communication among markets is restricted.[3]

3 To the technical student of monetary theory, let me say that this discussion is purposely made as non-technical as possible. I am emphasizing the important factors in the present situation. I do not accept the quantity theory of money. But one does not need to believe in the quantity theory of money to be gravely apprehensive of the swollen volume of bank credit and money in circulation which we have today.

Talking Down Prices

We seem to have developed in recent years a tradition that it is the business of the President to tell prices what they ought to do. President Truman in his recent statement that prices ought to come down is not the first President to do this. President Roosevelt tried to talk them up in 1933 and 1934. He undertook to talk them down in the spring of 1937. President Hoover undertook by admonition to hold up prices and wages after the stock market crash in 1929. President Coolidge and Secretary Mellon gave out interviews to help the rising stock market in the 1920's. Prior to that time nobody had ever supposed that it was the business of the President to tell prices what to do.

President Coolidge's efforts to help the stock market seemed to be successful because the stock market was going up anyhow under the impetus of the great flood of cheap money that was being released by the Federal Reserve Banks. President Hoover's efforts were unsuccessful because economic fundamentals were heavily against him. We need not venture to predict the outcome of President Truman's exhortations.

But it is clear that if the Government wants to influence prices it should act with respect to those underlying causes of price changes that are due to governmental policy, and not just talk about prices. If the Government would change the policy of the Treasury and the Federal Reserve System so as to bring about a radical reduction in the volume of money and bank deposits, if it will let interest rates rise so that they can play their normal role in the price system, if it will move for drastic retrenchment in public spending, and if the Government gives us labor legislation which will bring back a genuinely competitive two-sided labor market, it will really remove the greatest inflationary dangers. The President cannot do it by merely talking.

Hitler could control inflation. But Hitler used powers which the President of the United States does not possess and does not wish to possess. It did not matter to Hitler whether his money was sound or not or whether it was excessive or not. He fixed prices and wages. He controlled all foreign exchange transactions. He controlled all movements of money across Germany's frontiers. He controlled domestic consumption and production. He made the farmers keep books showing not merely what they produced and what they sold and at what prices they sold them, but also what they consumed of their own products

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Inflation, Interest Rate and Public Debt Management

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in their own homes. He accomplished this by having a very powerful and ruthless Gestapo, using perhaps one worker in every ten in spying upon the rest. He did it by his youth movement, which put disloyal spies in the form of sons and daughters into almost every home, splitting families asunder in their loyalties. He suppressed black markets both in commodities and in foreign exchanges. It was not necessary for him to make speeches about prices or about foreign exchange rates. But Hitler alone has succeeded in doing this. The Russians could not do it with all the ruthless power they had. Black markets in foreign exchange existed in Russia as late as 1938. They exist there today.

In a free country like the United States it is not possible for the Government to play recklessly with the volume of the currency in circulation and the volume of bank deposits, and at the same time maintain tranquil and steady prices.

A Strong Dollar and a Strong Treasury Essential Whether for Peace or for War

We have lately had a warning from high quarters that if we do not stop the inflationary rise of prices we shall have a great depression, and that then we shall be unable to help the rest of the world or to maintain our commitments abroad. This needs careful restatement. To maintain our strong international position we need strong public credit and a strong dollar. If the outside world trusts the dollar and trusts the credit of the United States Government, we can maintain our commitments abroad whether in prosperity or in depression. Depressions we wish to avoid, but a depression is not necessarily a source of weakness if a war comes. We were in deep depression in 1939, with over nine million workers unemployed, yet we fought a great war successfully and we poured out a tremendous volume of aid to our Allies in every part of the world. It may even be said that the great slack in our industrial capacity in the depression of 1939 facilitated our war efforts.

We could not have done this, however, in anything like so effective a way if we had had currency disorders and if there had been distrust of the Treasury. To be strong abroad we must be financially strong at home. Our dollar was a very effective weapon in both World Wars. The English pound sterling, tremendously useful in World War I, was a very ineffective weapon in World War II. The growing doubts regarding the maintenance of peace in the world make it all the more imperative that we move with promptness and decision in getting our currency and banking figures under control and in funding our public debt.

The Stockholder and the NYSE

(Continued from page 10)

reasonably uniform standards of corporate charter, by-law, and indenture provisions, irrespective of the divergent laws of the different states. The Commission's achievements in the field of financial disclosure have been very great, and we are a little proud that so many of them are based on the listing requirements of the New York Stock Exchange. But the '33 and '34 Acts are based primarily on disclosure—if the full facts are given any security can be registered — whereas the Exchange should and does go much further before listing.

For one thing, the company must meet the Exchange's standards for a going concern with national interest, with demonstrated post-war earnings around $750,000 per annum and enough stock distributed—at least 200,000 shares among 1,500 stockholders—for an auction market.

As another example a non-voting common stock can be registered, but for many years it has been the policy of the Exchange to refuse to list shares of new issues of common stock without a vote proportionate to the stockholder's investment equity in the company. Bonds, preferred stock, and other securities having a clearly established prior call on earnings and assets do not have to have such full voting rights to qualify, but in recent years the Exchange has adopted listing requirements for preferred stock to give such holders voting rights, particularly in the event of dividend defaults. These requirements call for the inclusion of charter or by-law provisions to give preferred stockholders the right to vote for the election of directors to represent them on the board in the event of continued default in dividends, and protective voting rights in some other situations affecting their interests.

When listing, companies enter into a series of agreements with the Exchange which reflect a code of ethics of progressive corporate procedures which are today almost second nature to the well managed publicly owned company. The listing agreements relate to such things as disclosure of changes of the nature of the company's business, reacquisition of its own securities, prompt publication to the press of action on dividends, rights to subscribe, etc., and the context and frequency of reports to stockholders. The progress of the New York Stock Exchange in obtaining such agreements has been achieved by persuasion and mutual agreement with companies at the time of the initial listing of their securities, or on the occasion of subsequent listings of additional securities, rather than by fiat or unilateral action. While the Exchange refuses to list many companies which for one reason or another can not meet its standards, its practice is to endeavor to convince the company of the advantages to itself and its stockholders, as well as to prospective stockholders of revising corporate procedures to meet a specific requirement—treating each in the light of the character and the problems of its own business.

Earnings Information

As an example of one out of many of these listing policies look at the question of quarterly earning statements. "Earnings," as most accountants and economists tell us, are fundamentally estimates based on certain calculated assumptions and accounting conventions, and the shorter the period covered by a report, the more the nature of estimates they must be. In some industries such as aircraft manufacturers or shipbuilders with much of their business based on long-term contracts taking years to complete, even annual earnings have to be considered as estimates.

One of the reasons cited by some companies for their reluctance to publish interim earnings is the belief that they would mislead stockholders. Notwithstanding the sincerity of this type of objections, the Exchange has supported the view that stockholders must be treated as intelligent people, entitled to be kept informed of the progress of their companies affairs, rather than the wards of management who have to be protected from any illusion that the quarterly estimate of a seasonable, or any other type, of business foretells the annual earnings.

Since the war, the Exchange has succeeded in obtaining scores of companies to agree to commence quarterly publication of earnings, some when listing for the first time, others such as, quite recently, the American and other tobacco companies on the occasion of listing additional securities. Today 780 companies out of the 1,010 active American concerns with stock listed, release earning estimates at quarterly intervals. This is 77.5% and with 150 additional companies publishing semi-annually, leaves only 7.5% which release earnings only once a year. Since V-E Day 86½% of newly listed companies agreed to publish earnings quarterly, 10½% semi-annually, and only 3% annually. Most, but not all, of these latter companies are engaged in business related one way or another to agriculture and the annual cycle of crops which have little basis to even estimate their earnings until the harvest.

The Exchange endeavors to keep its listing requirements dynamic and in time with new developments, well ahead of the requirements of law. For example, beginning this week companies applying are being are being requested to describe in their listing applications under the heading "Business, Financial and Accounting Policies," along with the customary description of their accounting policies, of inventory valuations, audit procedure, etc.—a new item—policy and practices as to stockholders relations. From these statements the public will obtain useful information as to the practices of companies in dealing with their stockholders, by regional meetings, specially designated personnel to handle stockholders problems and inquiries for information, etc.

It is in this field of indirect relationship with the stockholder through the listed corporation in which he is part owner, very much as in its direct relationship to him through the facilities afforded by its open market place, that the New York Stock Exchange serves the stockholder and the prospective investor who is the public stockholder of the future.

SEC and the Stockholder

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securities as needs be. Investor confidence in the market is essential for the economic welfare of the country. Such confidence can exist only when the market is orderly, fair and honest. After many years of trial and error it was found that the State regulatory and enforcement bodies were not able, alone, to cope with this task of keeping securities markets orderly and clean. Only too often would a State find belatedly that securities had been sold within its borders by dishonest salesmen operating from without the State and beyond the reach of its process, or that securities were sold in violation of State laws and the seller had crossed the border before apprehension was possible. To cover this wide gap in the enforcement field was one of the reasons why the Securities Act was originally adopted. This, however, was not the only abuse aimed at by the Congress. It set its sights as well upon prevalent high-pressuring and speedy distribution of securities by inadequate, false, or misleading information, the evasion of responsibility by issuers and merchandisers of securities, and tailor-made markets.

In adopting the Securities Act, the Congress experienced no difficulty in attempting deliberately to change the then existing distribution practices. It decided that the speedy distribution technique had assumed an undue importance to those engaged in the securities business and that it should be discarded, since it operated to the serious detriment of the uninformed investing public and the nation.

It should be understood at the outset that the Securities Act is not a licensing or an approval statute. Instead of adopting that theory of securities regulation Congress adopted the disclosure theory which is predicated on the idea that investor should decide for himself whether an investment is suitable for his particular needs and that the function of the law is to see to it that he knows the whole, material truth about the investment so that his individual decision can be reached on an informed basis.

Statute Explained

In its essence the Securities Act prohibits the public offering of any security unless it is specifically exempted by the statute or effectively registered. The statute further provides that it shall be unlawful to sell securities through misrepresentation or fraudulent schemes. The Act contains a fairly simple mechanism for the registration of securities. A registration statement is filed on a prescribed form and must contain a minimum amount of specified information which experience has taught is essential to the exercise of an informed judgment by the investor as to whether he should or should not buy the security being offered. Provision is then made that issuers, underwriters, and certain other persons shall assume the responsibility for the information contained in the statement and if it contains material misrepresentations or omits to state material facts, these persons are subject to civil and criminal liabilities. As a part of the registration statement there is filed a prospectus or selling circular. In general, the registration statement becomes effective automatically on the 20th day after it is filed or the 20th day after the filing of any amendment. However, the Commission can cut down that period, having due regard among other things to the public interest and the protection of investors. This lag in time between the filing and the effectiveness of the statement is known as the "cooling period." The purpose of this "cooling period," as I see it, is threefold: to slow down the distribution process and let some steam escape from the high pressure salesmen; to give the investor a chance to digest the information expressed in the registration statement before the security is offered to him; and to give the Commission's staff some time to determine whether the demanded disclosures have been made.

If any registration statement contains a materially false or misleading statement, the Commission may prevent it from becoming effective or suspend effectiveness once attained and preclude further sales by the issuer or distributors through the issuance of a stop order. Such an order is effective not only to stop distribution but the proceedings result in a record which may be used to subject those who are responsible to severe penal and civil liabilities.

Of course, if the deficiencies in a registration statement appear to be the result of an innocent mistake and not a deliberate attempt to conceal and mislead, rather than go through the formal stop order proceeding, the Commission usually advises the registrant of the deficiencies by letter and permits the filing of appropriate amendments. Because of the sincere efforts of the great majority of registrants to cooperate and file complete and accurate information, it has been necessary for the Commission to resort to stop order proceedings in only a few cases during the past three years.

No Inference of Merit

In this connection let me point out that the absence of a stop order and the effectiveness of a registration statement have no bearing on the investment merit of a security. In fact it is a crime to represent that registration with the Commission means that the statement is accurate or complete or that the Commission has approved the merits of the investment. The Commission may suspend the effectiveness of a registration statement only on the ground that the disclosure requirements of the Act have not been met. You will appreciate, I am sure, that a registration statement may be complete and accurate, contain disclosure of all material information and yet cover a security that is practically worthless. The Commission has no power to prohibit or prevent the sale of purely speculative securities. Under the Act, speculative and apparently unsound issues may be registered and sold provided that the issuer discloses the whole truth concerning them, and their unsound or hazardous nature is fully revealed. So long as the offering is accompanied by full publicity and information, it may be registered and sold to the buying public.

As the Commission stated in an opinion last fall "[we are] without authority to pass upon the merits of a security, but [we do] have the duty to require those who propose to offer securities to the public to disclose plainly the facts an investor needs to know to make an informed judgment concerning the nature and equality of securities to be offered. The Commission, therefore, subjects all registration statements to careful and critical analysis as a result of which many clarifying revisions are made and additional facts disclosed. The Act leaves it to the investor, on the basis of the facts disclosed in the registration statement and prospectus, to judge for himself whether he wishes to invest his money in the company whose securities are being offered."

This is but a paraphrase of the principles announced as far back as 1914 by Justice Brandeis when

he said "The law should not seek to prevent investors from making bad bargains. But it is now recognized in the simplest merchandising that there should be full disclosure."

The sanctions exercisable by the Commission are, of course, not limited to stop order proceedings. It may invoke civil and criminal sanctions under the Acts against any person who violates their anti-fraud provisions or registration requirements. It may revoke the registration of any broker or dealer who wilfully violates the provisions of either Act or, when the circumstances warrant such action, expel certain brokers and dealers from membership on any national securities exchange or a registered national securities association. Of course, these sanctions, effective as they may be, as a prophylaxis or penalty for unlawful conduct, do not operate to put money back in the pockets of defrauded stockholders.

Two Acts Complementary

As you probably know, the Securities Exchange Act of 1934 complements the disclosure requirements of the Securities Act by providing for the filing of registration statements and annual and other periodic reports with the Commission by companies whose securities are listed and registered upon securities exchanges. It also provides for the filing of annual reports by certain unlisted companies who have registered securities under the Securities Act. These requirements, plus the pressure brought to bear by the New York Stock Exchange requiring adequate annual reports to stockholders, was a long step forward in investor protection.

Declining to accept the hypothesis that it was impossible to make corporate democracy work, the Congress gave the Commission supervisory powers under this Act over the election machinery of an important group of corporations for the declared purpose of ensuring "fair corporate suffrage." In the exercise of this responsibility the Commission has promulgated and administers proxy rules which are designed to enforce minimum standards of fair disclosure in the solicitation of proxies and to afford persons other than the management a chance to get their views before the electorate. If you own voting stock of a listed company you must be furnished a full proxy statement in the event your proxy consent or authorization is solicited. In this statement you will find a full description of the matters upon which your vote will be cast and much other information necessary to enable you to make up your mind intelligently as to how to vote. The purpose of the proxy provisions is to facilitate an intelligent participation by stockholders, the proprietors of the business, in the affairs of their companies. It is up to you to use this information afforded to you.

Proxy Rules

In addition, the proxy rules provide for the democratic interchange of ideas among stockholders in connection with such solicitations. Under our rules a qualified security holder has the right to have the management tell him how many security holders there are of any class which the management is soliciting and have the management estimate the cost of mailing proxies to such holders. Further, management must on request mail out proxies or other communications provided by any security holder who provides the material, envelopes, postage and costs. On reasonable notice, the management must send out on behalf of a stockholder any proposal which is a proper subject for action at the stockholders' meeting. And if the management opposes the proposal it must, on request, incorporate in its soliciting material a statement of 100 words or less by the stockholder in support of his proposal and state his name and address.

While the proxy rules are far from perfect, they provide the basic machinery for putting corporate democracy into action. If the machinery of the corporate franchise is not used, it is due largely to the lethargy of stockholders.

This Act contains additional provisions designed to prevent unfair, manipulative and fraudulent practices in connection with trading in outstanding securities, and to prevent the excessive use of credit in security trading. In general, it fills many of the loopholes left by the Securities Act and makes it possible for the Commission to control practices which, if left unchecked, could make the securities market a mere toy for the play of certain powerful, unprincipled economic groups. Here again, the purpose and power of the Commission is to require disclosure, to prevent and punish unfair practices and not to approve or bless any type of security or transaction.

One further feature of the Exchange Act might be noted at this point. While the general impact of the two Acts is upon the person who is guilty of unfair practices and fraud in the sale of securities to investors, the Commission realized that the investor is in need of just as much protection in cases where highly skilled promoters and security sharks, who are neither brokers nor dealers, buy securities from him. With this end in mind the Commission, in May, 1942, adopted Rule X-10B-5 which specifically prohibits fraud by any person in connection with the *purchase* or sale of securities. Under its terms no person may purchase securities from a security holder without first disclosing to the holder all material facts which may have a bearing on the investment value of the security.

Dealings Over-the-Counter

A great deal of securities buying is done over the counter. That phrase designates the securities trading which is not done through the medium of national securities exchanges. Many securities are listed and traded on such exchanges as the New York Stock Exchange, the Philadelphia Stock Exchange, and so on. Many are not traded on these exchanges but are traded among dealers and investors in the over-the-counter market. There is a surprising amount of ignorance about over-the-counter methods and practices and one of the excellent things which an investors' organization can do is to familiarize investors with those practices.

Over-the-counter securities professionals act either as brokers or as dealers. If a firm acts as a broker it will buy securities for *you*, as your agent, and charge you a commission. Under general law a broker cannot sell you his own securities but must buy them for you from an independent third person. Furthermore, a broker must limit his compensation in his dealings with you to a commission. A broker is obligated under the SEC rules to tell you how much commission or other remuneration is being received by him in connection with the transaction.

The same firm may act as a dealer. When it acts as a dealer it is selling securities to you, or buying them from you, and it does not necessarily deal with any third person. As a dealer, selling securities to you, a firm expects to make a profit and if it charges a price reasonably related to the market price it is not required to tell you how much profit it is making.

Whether a firm is at liberty to act as a broker or dealer depends on you. If you order a firm to buy securities for you, as your agent, it is not entitled to sell you its own securities. It is fundamentally necessary for you to know the difference between a broker and a dealer and to give your orders in such a way as to make it clear in what capacity you want the over-the-counter firm to act.

Brokers and dealers are required to send you confirmations of your transactions. The confirmation must state whether the firm is acting as a broker or as a dealer. If you are cautious in giving your orders and read your confirmations to see whether the firm has acted pursuant to your order you will be better able to protect yourself.

The foregoing represents a summation of some of the more important aspects of the Securities Act and the Exchange Act as they bear upon the Commission's powers and obligations toward the protection of members of the investing public.

Let us now see what role the investor must play to make these Acts effective. What are his rights and obligations?

He should first inquire whether the security offered to him is registered with the Commission or exempt from registration. In the event that a non-exempt security is sold to him before the effective date of a registration statement, while a stop order is in effect or, in general, without registration, the purchaser may sue the seller and recover the money paid for the security, or damages, if he has resold it.

If a purchaser buys a registered security and the registration statement when it became effective contained materially false or misleading information, he may sue the issuer, its officers, directors, the experts who prepared any part of the statement, and the underwriters and recover damages.

If a purchaser buys either an exempt or registered security sold to him by means of a prospectus or oral communication which contains materially false or misleading information, he may sue the seller and recover the amount he paid for the security or damages if he no longer owns it.

On the other hand, if a stockholder should be induced to sell his securities by reason of a purchaser's misrepresentation or non-disclosure of material facts, it has been held that Rule X-10B-5 provides a basis for private action by the seller against the buyer.

When we add up the disclosure requirements of the statutes, the enforcement powers and activities of the Commission, not to mention those of the various State regulatory bodies, the better business bureaus, the National Association of Securities Dealers, and particularly the recent advertising campaign of the New York Stock Exchange, together with the stockholders' private rights of recovery, it would appear that the fraud field is very adequately covered and there should be no room in it for the crooked security salesman or promoter. Notwithstanding all this, securities frauds and uninformed investments still continue and investors constantly complain. Why? Where does the fault lie? If you should ask me, I'd say, not with the statutes, nor the enforcement agencies, nor with the various groups of businessmen who have been trying to educate investors during the past years. It is my personal opinion that the fault lies on the investor's own shoulders: those who listen to the blandishments of the swindler and turn a deaf ear to the advice and warnings of the Commission, the exchanges, the better business bureaus, and the State regulatory agencies; those who buy on the tip, the hunch, and the half page of written information and, in fact, even refuse to obtain and read the prospectus; those who for years work and sweat to save a few dollars and are too lazy to spend a few hours to read and attempt to understand 20 pages of information about the business into which their savings are to go. They want to put their money to work but will expend no reasonable effort to inquire into its source of employment.

These are the persons who negative our work and make the swindlers' task a happy one. These persons are the delight of the high-pressure salesmen. These are the victims of the fly-by-night security schemes. We cannot, no matter what our efforts, protect them from loss. The best we can do in nearly all such cases is apprehend the crook after the job has been done and the proceeds of the fraud have been dissipated.

Gambling Attitude Must Be Avoided

We have all heard the old refrain that security purchasers don't and won't read a prospectus before they commit themselves to buy securities and that they will not investigate before they invest. It these purchasers are acting purely as gamblers in every case their action might be understandable. They then know they're buying a long shot on meager information and are interested chiefly in a quick run for their money, with the chance of severe loss or great gain.

On the other hand, the purchaser who buys with the intention of preserving his capital, with the idea of putting his money to work for him for a return over an extended period of time, is in an entirely separate category. He is the one who must work at and sweat out his investment program. He is the one who must sit down and read and try to understand the information carefully compiled in the prospectus for his benefit. When he fails to do so, all the labor of drafting, passing and administering a law requiring disclosure for his benefit goes to waste. If there is any one, single, important message for such investors it is this: take advantage of all possible avenues of information before you buy. That is not always easy advice to follow, as I fully realize. At times the prospectus may be difficult for the particular investor to read, and even to obtain. But to the extent that you can inform yourself from a prospecus, by all means do so before you buy. Read it with all the intelligence you can command and don't hesitate to ask the dealer who has offered you the security to explain any complex items which you cannot understand.

While the dealer or salesman is ordinarily honest enough to give you decent answers to your questions, it often may happen that you won't know what questions to ask. Your best recourse in such cases is to read the prospectus completely. It will tell you more about the history and condition of the business than the salesman can usually divulge. And it will at least serve the function of directing you toward intelligent inquiry.

Don't be deluded by anyone into believing that you don't have to read the prospectus, or that the salesman's oral or written summaries provide sufficient data for your investment purposes. The Congress after extensive study found otherwise. And the Commission after years of experience with the disclosure requirements thinks otherwise. It has streamlined these requirements down to what it believes are bare essentials and does not require the prospectus to contain any information not material to investors. And, I might add, most registrants have been making a sincere effort to present this information in a concise and readable form.

Surely, it is not too much to ask an investor that he assume the obligation of sitting down and reading some 10 to 20 pages of information before he is finally committed to buy. If he wants to put his hard earned savings to work for him with the expectation of return and if he desires any sense of security about his investments at all, he must work at it. No man would buy a home without thorough consideration and examination of its qualities and cost. Why should he be less careful when buying an interest in a business?

However, as one of our courts has noted: "Many persons in this world of ours desire to make money without effort. Men and women in all professions, busy men and women with good incomes, have an innate desire to increase their income or their principal. They do this by so-called investments. They venture into realms of which they know nothing." So long as such venturing continues, so long as men and women will invest in wilful ignorance, just so long will there be shrewd promoters, dealers and salesmen who will take advantage of the venturesome with ugly pipe dreams of fortune. It approached futility for the Commission to bring the falsehood and pitfalls out into the glaring light of publicity if investors are going to buy blindfold.

In my mind, if investors would in every case where a new security is offered to them insist upon a prospectus; if they would take that prospectus and sit down and read it; if they would make sure that they understand all they read before they buy; and finally, if they would work at and sweat out their investment programs, I am quite convinced that the fraudulent and unsound promotions would be reduced to practically nothing. So long as that will not be done, our job at the Commission is not only increased 100 fold, but our efforts in obtaining disclosure of information from sellers are to some extent reduced to an empty gesture.

I might add that there are many important elements in the securities industry just as interested in enforcement of the Securities Act and the Exchange Act as the Commission. And they are just as interested in seeing to it that you know what you are buying when you buy. To my knowledge, they are not interested in turning the clock back to the roaring 20's and griping 30's. They know as we do that a satisfied informed investor is a good customer.

These elements in the industry know too, as well as we, that the bad apples must be removed from their barrel. And they appreciate as much as the Commission and all other regulatory bodies that these bad apples will stay in the barrel just so long as the investing public will tolerate them. So let the investor assume his full responsibility. All we ask is that he do what he should do.

We want the stockholders' cooperation not only for his own protection but in order to make our work achieve its desired purpose—full disclosure to those who need it. We want your assistance as well in the amendment program which the Commission revived some months ago, so that we may recommend to the Congress workable and desirable revisions in the Federal security laws. In this program, as you know, we have talked to representatives in the securities market—investors, issuers, investment bankers, dealers, State securities commissioners, and the stock exchanges. We should like, so far as possible, to get widespread distribution of prospectuses to the investing public, to encourage their use by investors, and to provide some effective period of time during which an investor will have a prospectus and the opportunity to examine it before being called upon for final purchase.

Whether we can achieve these goals, or in what form it can be done, no one can say at present. But I want to assure you that what motivates the Commission exclusively in this program is to find some practical, workable means of improving the investor's position.

Government Controls Undermine Common Stocks as Inflation Hedge

(Continued from first page)

sight as far as possible; throughout the land was stagnation.

"Statesmanlike measures, careful watching and wise management would, doubtless, have before long led to a return of confidence, a reappearance of money and a resumption of business, but these involved patience and self-denial, and, thus far in human history, these are the rarest products of political wisdom. Few nations have ever been able to exercise these virtues; . . .

"There was a general search for some short road to prosperity; before long the idea was set afloat that the great want of the country was more of the circulating medium . . . this money would stimulate business. . . . Oratory prevailed over science and experience."

This was written about the great French inflation of 1789-99, not about the United States in 1933.

The following excerpts are also of more than passing interest:

"To meet the greatly increased demand for the circulation of media of payment, which the mobilization and the intensified economic effort of the country occasioned, the existing banking legislation was extended at the very outset of the war. The obligation to redeem the notes in gold was suspended; Treasury bills and bonds of the Government with not more than three months to run were admitted as part of the bill cover for the notes; . . .

"The war finance consisted mainly in the Government satisfying its needs as they arose by the discount of Treasury bills and bonds at the bank, the floating debt thus incurred being funded (so far as possible) twice a year by the public issue of long-term loans. . . .

"What the public at large, and all but a very few of the country's economic leaders, failed adequately to appreciate was the fact that inflation on a heavy scale was the concomitant of the whole of this form of war finance. . . . The inflation, which thus originated in the war, could undoubtedly have been kept within narrower limits by heavier taxation of the population. . . . It was the methods adopted by the Government for the financing of the war which were responsible for a state of things in which the business community was permanently swimming in money. . . . The close association of the Government with the note-issuing institution had been fatal to the latter. . . .

"A typical consequence of the inflation, which very soon made its appearance and rapidly assumed the character of a permanent phenomenon, was the so-called 'refuge in material values'. . . . The speculation in stocks and shares spread to the smallest circles of the population. The indiscriminate hoarding of commodities created an artificial increase of the demand.

"The State, the entrepreneur, and the private individual were all engaged in the struggle, each for himself, to escape the terrors of the inflation; and it was naturally those who were the weakest economically and the least well informed who were the hardest hit."

The foregoing quotations are from Dr. Schacht's book, "The Stabilization of the Mark."

Germany and Russia had complete inflations after World War I. The German inflation is interesting primarily because it revealed that regulations and special laws dominated final values even in a complete inflation such as this.

The German Inflation

The first World War left Germany a hollow shell. Its manpower was wiped out, its industry had been fully converted to war production, its machinery was worn out, its raw materials were gone, food was scarce, and the burdens of the Armistice were stifling.

To meet current obligations and in an effort to keep the economic machinery functioning under chaotic peace conditions, purchasing power was created (currency printed). It helped only momentarily as the trouble was too fundamental to be so easily cured. However, the narcotic had been taken and the next dose had to be stronger. We all know the rest of the story. In 1918 approximately 7 marks bought a dollar; in 1920 it took 100 marks; by January, 1923, it took 10,000 marks; and by the end of 1923 it took more than 10 trillion marks. A chart of this would be around 300 million miles high unless a logarithmic scale were used.

A chaotic condition resulted when the inflation was completed, the wheels of industry had virtually stopped, and practically all capital had left the country. The task of stabilization was almost insurmountable.

The Lessons for Investors

There were three lessons in this inflation of particular importance to investors: (1) The 60 some odd laws passed governing the revaluated mark gave arbitrary values to certain types of assets so that many classes of bonds fared as well as, if not better, than many types of common stocks. In other words, economic or natural laws were not the sole judge of one's position. Regulations and laws dominated both interim and final values; (2) Conditions were so volatile and changing that only the well-informed speculator stood any worthwhile chance of winning out; (3) As in any inflation, the only real protection was to get one's capital out of the country until the inflation ran its course.

Financing the War Machine—Pre-World War II Germany

Let us now skip to pre-World War II Germany. Few people associated conditions in pre-war Germany wtih interest rates in the United States, and fewer still appreciate the amazing similarity between the financial and monetary techniques used in Hitler's pre-war Germany and those used in the United States in the last decade.

That Germany performed an economic miracle in creating its war machine from practically nothing is obvious. However, for the purpose of this article, our interest lies in studying the financial technique which made this possible. The great economic effort that made this economic miracle possible called for a most unorthodox financial approach. Germany was forced to proceed on the financial premise that a government could spend indefinitely without reaching bankruptcy or without having a serious inflation. While the final pattern was arrived at through continuous experiments and stopgaps, the basic concept called for (1) the recipients of governmental deficit spending to give back the money in taxes and through forced savings which in turn went into government bonds; (2) rigid controls, including rationing, price fixing, subsidies, etc., to prevent the normal effect of deficit spending from making itself evident. In other words, every phase of the economic and financial life of the nation was regulated to make the money spent by the government flow right back with minor benefit to the recipient.

Two aspects of this are of great interest to us since part of this technique has since been used in the United States. It was necessary in the German concept that interest rates decline, that high coupon debt be converted to lower coupon debt to keep down the carrying charges resulting from the deficit financing. The objective was to make the debt burden bearable and to dilute the value, the earning power, of the capital created by the deficit spending as well as of old capital. An equally effective technique was used to control the earnings accruing to equity ownership. Regulation and punitive taxation accomplished this.

German Financial Technique and Interest Rates in U. S.

This brings us back to the earlier observation that few people connected events in pre-war Germany and interest rates in the United States. In the 1930s when Germany was building its war machine, capital flowed into the United States from all over the world, particularly from Eurpoe, because of fear of war. Our ill-advised devaluation accelerated the inflow of gold. Some measure of this can be visualized by the $13 billion (300%) increase in our monetary gold stocks from Dec. 31, 1932 to Dec. 31, 1939. To the investor the main importance of this lies in the fact that this gold flowed into our banking structure, created excess reserves, and forced interest rates lower and lower. Normally, a greater portion of this capital would have found its way into property and equities, but this was not to be the case as investor confidence had been undermined by the great reforms and experiments of the times.

German-American Techniques Parallel

The amusing side of this was the surprise of our Administration when it found it could finance the ever-growing deficits at lower and lower interest rates and use the phenomenon to persuade the public that the credit of the Government was stronger than ever notwithstanding the deficits.

With the advent of the war, the Federal authorities, in effect, tore another page from Dr. Schacht's book and exercised great power over the money market, preventing the war-size deficits from having their normal effect of forcing interest rates higher and higher. As was the case in Germany, the technique called for lower interest rates so that the new debt burden could be carried at the lowest possible cost and that the cost of the old debt be reduced. In this way a government neutralizes the earning power of debt created by its deficits. This is a phenomenon of modern state capitalism, and in reality it is scientific inflation—inflation of the most insidious kind because its effects are not readily apparent. It is so convenient politically and so palatable to an unsuspecting public.

The striking similarity of developments of the last decade in the United States with certain phases and techniques of some of the great Eureopean inflations is quite sobering.

Effects on U. S. Investor

How has all of this affected the investor? Let us skip the 1933-36 period and ignore the $13.3 billion increase in Federal debt by charging it to experience or experiment. The ten-year period, December, 1936 to December, 1946, would seem like an appropriate span to study. It is sufficiently long to have meaning. By 1936 some of the abnormalities of the great depression were eliminated. 1936 was a year of relatively good business and at the time it was considered to be quite an inflationary period. Somewhat different periods can be chosen for study, and while the detailed results will be altered, the same general results the obtained.

A few figures will dramatize the change in this decade.

	12/31/36	12/31/46	Change	% Change
*Federal Debt (Gross)[1]	$33.7	$259.1	+$225.4	+668.
*Interest Charges[2]	0.9	5.0	+ 4.1	+455.
Wholesale Prices[3]	84.2	140.9	+ 56.7	+ 67.
Cost of Living[4]	99.8	153.3	+ 53.5	+ 54.
Value of the Dollar[5]	1.0	0.65	— 35.	— 35.

*In billions.

1 Survey of Current Business.
2 Federal Reserve Bulletin.
3 Bureau of Labor, 1926=100.
4 Bureau of Labor, 1935-1939=100.
5 Reciprocal of the cost of living.

Inflation Hidden in U. S.

Inflation is inherent in war periods because of deficit spending and resultant abnormal purchasing power, not to mention unnatural consumption and the destruction of real wealth. The inflation was furthered and the true cost hidden by the politically conceived, relatively unrealistic income tax laws and the unhealthy but politically easy way in which the deficits were financed mainly through the banking system. By means of rationing, punitive taxation, regulation, etc., we delayed paying the true price of the war and attempted to hide or circumvent the deterioration in the real value of the dollar. However, the inevitable historic pattern has been seen as indicated by the foregoing table; that is, with one important exception. While the national debt is up almost 700%, interest rates are down. The underlying significance of this phenomenon cannot be over-emphasized and will be enlarged on later.

A table showing the yields from various types of investments will be equally informative.

	12/31/36	12/31/46	Change	Change
U. S. Government Bonds[6]	2.69%	2.27%	—0.42	—15.6%
Municipal Bonds[7]	2.62	1.85	—0.77	—29.4
Corporate Bonds—Aaa[8]	3.09	2.59	—0.50	—16.2
Preferred Stocks[9]	4.23	3.77	—0.46	—10.9
Common Stocks[10]	3.82	4.26	+0.44	+11.5

6 C. J. Devine, "Long Term Taxables."
7 Bond Buyers Index.
8 Moody's Index.
9 Standard & Poors Index.
10 Barron's Yield on Dow, Jones Industrial Stocks.

Effect of Increased Living Cost

In this ten-year period in which the national debt rose to $259 billion and the cost of living rose 54%, bond and preferred stock yields declined importantly, and common stock yields advanced only 11%. If these yields are adjusted for the sharp rise in the cost of living, a major decline in bond yields and a 27% decline in the yield from common stocks was experienced. Instead of the indicated yield of 2.59% from corporate bonds, the adjusted yield is 1.69%. The yield from common stocks drops from 4.26% to 2.78%. The weakened status of investment capital is vividly revealed by these tables. If the inroads of income taxes were added, a further drastic shrinkage would be shown.

10-Year History of a Fund

In an effort to portray the problem more graphically, the following table is presented. A fund of $500,000 has been invested as of Dec. 31, 1936 and followed through to Dec. 31, 1946. It will be recalled that common stocks, as measured by the Dow, Jones industrial averages, were at about the same level on both dates, which makes the comparison particularly significant in view of what has elapsed in this interim. Different dates could be used without materially changing the conclusions if appropriate adjustments were made. As it was impractical to attempt to follow each security purchased in 1936 through to date, certain short cuts were taken, but the reasonableness of the approach can hardly be seriously questioned.

The distribution of the fund between various classes of securities is arbitrary, but reasonable. It is balanced so as not to take advantage of the performance of any one group. The important thing is that the results would not vary importantly if the composition were moderately changed, or if different averages were used. Actually, in an effort to be over-generous to the performance of the original funds, the funds invested in United States Government bonds were put in the non-callable 2¾s of 1959-56 so the income would remain constant. No deductions were made for mortality in bonds or stock holdings and second grade bonds and railroad stocks were avoided. It is doubtful that the average non-professional investor would have chosen this wisely or have fared this well, but in any event, the fund will serve to illustrate certain developments of vital significance.

Results Shocking

The study of the results obtained from this portfolio over this ten-year span is most enlightening if shocking. Certain forces, no matter what label they bear, have taken a frightening toll.

What the table does not show is the wild fluctuation in the value of the common stock section, and the tremendous possibilities available to those equipped to select the proper investment vehicles. The value of the common stock portion of the fund went to $215,000 then $110,000, only to recover to $175,000. Then followed a drastic shrinkage to $103,000 and the subsequent rise to $236,000 in May, 1946. The present value is again down, being $188,000. The orthodox investor has made little progress, but the professional and the well-equipped investor has had a great opportunity to reap capital gains—which is so typically true in periods of inflation and gyrating economics that historically run hand in hand.

Fund's Dollar Value Unchanged

The table shows that the dollar value of the fund is about unchanged notwithstanding the major change in the value of the dollar in this decade and the increase of $225 billions in the national debt. Adjusting for the change in the value of the dollar as measured by the cost of living, the value of the fund actually is off $175,000, or 35%. The race is a long one, but this is a grave deterioration to be faced with at any time in the race.

No Protection from Any Class of Security

Possibly more significant is the fact that there was little to choose between the performance of bonds, preferreds, or common stocks. In view of the earlier discussion of inflation techniques, it seems doubtful that this is a coincidence. The position of the individual bond investor, particularly those restricted to legals, is disheartening, but more or less casually explained by reference to declining interest rates without

labeling the decline for what it is—planned inflation; that is, deliberate deflation of the income from interest bearing assets. It is more disturbing to realize that the ownership of property, though equities, did not give its expected protection. What has happened to make the ownership of American industry of declining or static value under these inflationary conditions?

Is the key to this dismal price or value history to be found in the shrinking effective earning power of capital? The preceding table shows that in 1936 a fund of $500,000 could earn $17,520, and after income taxes, $16,615. Ten years later under booming business conditions and with a high level of corporate earnings this fund earns only slightly more, or $18,791. However, after income taxes, net income is only $13,284, off 20%, which is a rather dismal showing. However, if the income is adjusted for the change in the cost of living, it shrinks to $8,650, a decline of $7,965, or 48%. The $8,650 is only a 1.73% net return on the original $500,000.

The Investor's Predicament: Caught Between Inflation and State Controls

It is apparent that the investor is being harassed by the great inflationary forces that have been released in the last 14 years, but something else of equal if not greater significance is clearly involved because the ownership of securities has not given the holders the benefits normally afforded to them. In the case of bonds, interest rates have not been allowed to react to economic forces and in the case of stocks, their ownership has not given the holder the benefits and protection which is normally to be expected.

The investor's position is most awkward. The things he buys, particularly agricultural products, are truly inflated, in some instances with the blessing and help of the Government. The value of his wealth has been subtly undermined and the effective or true net income from his wealth has been drastically curtailed.

What is it—state capitalism or inflation? To the investor it doesn't matter. He is caught in its meshes. Dr. Schacht's observation that the least well-informed are the hardest hit takes on special significance. It seems doubtful that casual investing in any class of security is any longer possible if wealth and its ability to produce real income is to be protected against these subtle but very effective forces.

	12/31/36 Value	Income	% Yield	12/31/46 Value	Income	Yield
Govt. Bonds	$100,000	$2,560	*2.56	$109,216	$2,560	*2.56%
High Gr. Corp. Bds.	100,000	3,090	*3.09	105,750	2,740	*2.59
Preferred Stocks	100,000	4,230	4.23	109,500	4,120	3.77
Common Stocks	200,000	7,640	3.82	197,000	8,471	4.30
	$500,000	$17,520	3.50	$521,466	$17,891	3.43
†Less Fed. Inc. Tax		905			4,607	
Net Income		$16,615			$13,284	(—20%)
Adjusted for cost of living		$16,615			$8,650	(—48%)

*Yield to maturity. †Assumes family of four.

Monetary Reconstruction Lags

(Continued from first page)

sible to carry on orderly production and trade. In Germany a plan has been proposed to devalue the Mark 90%. The reconstruction of peacetime production and trade under these conditions is reduced to mere speculation.

Neglect in Restoring Sound Currencies

These spectacular inflations are only the more glaring examples of the uncertainty and delays in reconstruction resulting from neglecting the very fundamental problem of restoring sound and dependable monies. Many of the small countries have dealt firmly with their inflation problems. Such countries are Belgium, Finland, Norway and Denmark. In some countries the depreciation of the money and the increase in prices from 500 to 800% are still being interpreted as postwar recovery and prosperity. The epidemics of strikes, rising prices and costs are not clearly understood, but they are really the results of inflation and the unequal increases in costs and prices that always go with monetary disturbances.

Inflation creates instability. Most of the commercial world is in a quagmire of inflation. The talk of stabilizing production and distribution with the present maladjustments in costs and prices is sheer nonsense. In all the pages of history no record can be found where any country has ever succeeded in stabilizing an inflation bubble. But there is a lot of very interesting history about inflation bubbles which always burst and leave millions of people in poverty.

World War II inflation has been almost world-wide. The United States and the countries allied with us have a dangerous credit and currency inflation. There is danger in the delay of postwar monetary reconstruction until this rising spiral of costs and prices has outrun the distribution of depreciated money and workers are unable to buy the goods which they produce.

Some Inflation Evidences

It does not require an extensive compilation of statistical facts to prove prices and costs have increased. A few items, however, may be of help in clarifying much misleading information on this subject. While we are told that the cost of living has increased only about 50 or 60% since 1939, this general average does not apply to the cost of living of any individual or any particular community, nor does it apply to the costs of production and distribution. The United States Bureau of Labor Index of Prices, based upon August 1939 as 100, says that as of March 18, 1947, the prices of 28 commodities, mostly raw materials, have increased to 318.2; the prices of seven leading farm products 381.4; 12 ordinary food products 381.9, and 16 industrial products 277.3. From these figures it can be seen easily that whether your cost of living has gone up 50% or 300% depends upon your standard of living. What have been the causes of these increases in costs and prices?

During the war the government had no predilections for holding down costs nor did it restrain the inflation of money and credit. The efforts to hold down prices for the consumer were largely financed by the tax payer through subsidies. This created a delusion in the minds of many people that prices and costs everywhere were being held down. Instead, the rising prices and costs were being paid for out of increased taxes and the expanding Federal debt.

Inflation Uncontrolled

It is difficult to state in precise terms the amount of inflation we have. There are so many changing factors. Perhaps all that is necessary is to indicate the expansion in money and credit purchasing power available to buyers in the United States, the United Kingdom and in Canada, our best foreign customers.

In 1937 the United States had $6.6 billion in currency in circulation and in January 1947, $28.3 billion.

The United Kingdom, as of these dates, had currency notes of £505 millions in circulation and £1,364 million respectively.

Canada, on these dates had $207 millions in currency circulation and $1,037 million respectively.

The gold holdings of Canada and England are not very large and neither country pretends to be on the gold standard, but both countries have managed the purchasing power of their monies rather well.

The United States is technically on the gold standard for foreign exchange payments only. It is still unlawful for a citizen of the United States to own gold. Our currency is an inconvertible paper money for domestic purposes. But we do have over $20 billion worth of gold and the balance of payments in our favor in 1946 exceeded $7 billion. These figures are important because at the end of World War I the whole world had only about $10½ billion worth of monetary gold. At the present time the world's monetary gold is not accurately known, but in terms of the American dollar the value is estimated at between $35 and $37 billion.

The commercial bank deposits of the United States in 1937 totaled $39 billion. In December 1946, these deposits were $117 billion.

The commercial bank deposits of the United Kingdom in 1937 were £2,310 million and as of December 1946, £5,685 million.

Commercial bank deposits in Canada were $2,336 million in 1937, and in December 1946, $6,252 million. A casual glance at these figures will indicate the real expansion of currency in circulation and commercial bank deposits upon which checks can be drawn for payments in the United States, Great Britain and Canada. The conclusion is evident that money and credit inflation in these countries where prices have been held down, somewhat, greatly exceed the production of goods for consumers to buy.

The war was a period of the greatest destruction of wealth probably known in history. The industrial equipment for peacetime production was depleted in war work. The facilities for distribution were disorganized. As a consequence a scarcity of peacetime goods of all kinds is notorious throughout the world at the present time. The only thing that is really abundant is paper money and bank deposits. When the volume of depreciated money and bank deposits far exceeds the available supply of goods, the tendency for costs and prices to rise in the scramble to secure production equipment and supplies and to buy the necessities and luxuries of life by consumers is evident.

Prices and Individual Incomes

The dollar today is the key currency of the world. This dollar is not the dollar of 1914 or even 1939. In the first place the number of these dollars in circulation has been increased more than 2,600% since 1914 and about 450% since 1939. The value of these dollars has been depreciated by reducing the gold content of the dollar 40%. Other factors in our money supply such as bank deposits have likewise been increased and they represent no more in value than the dollars in which they are payable. A cursory examination of these facts clearly indicates that the stratification in the buying power of consumers and the unequal increase in their money incomes are about the only forces that hold prices down. It is true that a large part of the working people have not had any increase in wages comparable with the increases in wages in the steel, automobile and electrical supply industries and other select groups in which labor is strongly organized. To be specific, a couple of years ago before the recent increase in wages, I examined the average wage of the workers in the motor car industry and the average wage of the workers in the New York department stores. At that time the average worker in the motor car industry received about $57 a week, and the average worker in the New York Department stores $28 a week. This comparison is significant of the differences in income throughout our society. But the purpose of this comparison is to show that while wages make up a very large part of the costs of production and the great majority of wage earners are in the lower wage brackets, these wage earners are not going to be able to buy the cars, the houses and other products coming out of the factories of the high wage groups. This is the maladjustment we face today. The American soldier is the best paid soldier in the world, but he is unable to buy the house he needs in the United States within his income. Millions of Americans who have received a very small increase in income would like to buy a motor car, but they cannot buy at the present prices because the costs of producing motor cars have increased a great deal more than their incomes. These maladjustments are the conditions out of which depressions come. When 75% of the people are unable to buy an ordinary necessity such as motor transportation or housing because of the high costs of production, these industries must find ways and means to get the costs of production down or restrict their business to that smaller group who have incomes large enough to pay these costs.

These very brief statements about the depreciated money and credit and the supply of it, together with the uneven increases in costs which have priced many necessary goods and services above the average consumer's ability to buy indicate that we are far from the time when we can talk about stabilizing our economy.

Too Much Money and Credit

As I see it, the main causes of these high prices and costs are too much depreciated money and credit. In order to get these prices and costs down this inflation virus must be drained out of our system and we must return to sound money. How to remove the maladjustments in prices and costs and how to return to sound money are most perplexing questions which should be on the desk of every statesman, banker, businessman and labor leader in America. There can be no stability and no continuity of our present inflated production and distribution until we restore sound money and economic balance in costs and prices.

The present effort to push prices down is meritorious. Many prices are too high. Many costs are too high. But the real task is to remove the causes of these high costs and prices. Present high profits in some instances are only the results of extraordinary volume of business in supplying the accumulated demands for basic products resulting from the long period of low production during the war. These profits cannot last. I am sure they will pass. But when these profits pass, how will we get costs down so that prices may be reduced to the level where the average consumer can buy and provide the continuous flow of production and distribution in a society where everyone can buy with his income the necessaries he needs? No doubt many people have forgotten how quickly large profits disappeared in 1920 and 1921.

An examination of the profits and their rapid decline in that period would be very enlightening. In one particular instance I remember a well-known corporation, that is still in business, which had a profit of more than $50 a share in 1920 and a large deficit in 1921. This is an extreme example, but there are thousands of corporations whose profits were modest and these modest profits were quickly turned into several years of deficits and as a result millions of people were out of jobs. Apparently, we learned very little from that experience because we are now repeating the same inflation conditions on a grander scale. Our present inflation far outstrips that of post World War I and the maladjustments in our costs and prices are rapidly taking on proportionate extremes. To push prices down either by voluntary effort or through consumers' inability to buy without removing the causes of these high prices, which lie in high costs of materials, taxes and wages, is to create a perfect trap for forcing small industries into bankruptcy and creating mass unemployment.

What Inflation Has Done To Us

This period of inflation is having the same effects it has always had throughout history. The surplus of buying power has caused the great increase in costs and prices. Costs and prices have been increased most unevenly. Organized labor has been able to get increased wages more easily and quickly and about 60 to 75% of the working people have been compelled to reduce their standard of living because their wages have not kept up with these rising costs and prices. Moreover, there is no hope of the wages of small industries increasing in proportion to the large industries. Most small industries cannot increase their volume of business as rapidly as costs and prices are rising. These industries and trades are driven to the expedient of eliminating employees and cutting out every item of unprofitable business. Also, in many industries the government has held down prices while costs have risen and the present narrow margin of profit, if any, prevents expansion and growth in these industries employing millions of people. I refer to the housing industry where rents have been held down, but the costs of building have advanced until new houses are priced where they are not selling and consequently fewer and fewer are being built. Likewise, transportation rates are having a similar effect upon the railroads, one of the large buyers of equipment and employers of labor. In the electric light and power industries and the communications industries the regulatory bodies have restrained any increase in the rates comparable with the increase in the costs of doing business.

The talk about inflation and the depreciation of the value of money and the rising prices are having their effect upon the people's morale. Savings are declining. Thrift is discouraged and the morale of the people in general is upset and a general state of unrest demanding a change is in the atmosphere.

Politically this attitude in a much milder stage than it is now was expressed in the 1946 elections. The people know that there is something wrong, but they do not know just what it is. These

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Monetary Reconstruction Lags

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conditions are very unhealthy for business as well as stability in our democracy. The great mass of people are quite helpless. They are looking for leadership. Sound economic leadership that will restore stability in money and with it a balanced production and distribution of goods and services is the need of America and the whole world today.

If we are to sell the rest of the world on the values of our democratic and free enterprise system, it is urgent that we immediately take stock of our resources and conditions, and take the necessary steps to prevent this inflation and these maladjustments from tumbling us into a period of depression and mass unemployment.

Return to Sound Money—Money Convertible Into Gold

One of the first needs in the United States and in all of the countries to which we sell and from which we buy is a return to sound money. By sound money I mean money convertible into gold. The United States should take the lead. We have the only important scarce currency in the world. The dollar is in demand because our machinery and our materials are wanted. We have the necessary gold and a favorable balance of payment. We should take the leadership and make the dollar convertible into gold both at home and abroad. In addition to making the American dollar as good as gold we should maintain a free gold market where the monies of all countries can find their most effective measure of value in terms of American dollars. I do not know of anything that would go so far to restore the confidence of the people as a sound money.

The primary functions of money are to measure value in trade and provide a dependable medium of exchange. These are very necessary functions. The production and distribution of goods and services cannot go forward smoothly without a money that performs these functions efficiently.

Of all the reconstruction problems left in the wreckage of World War II there is no more important task for a statesman to perform than that of restoring sound monetary systems. Moreover, the problem is simple. Money convertible into gold will do the trick. For those who object to a return to the gold measure of the value of money, the burden is upon them to show us a more efficient and workable money that will serve the needs of commerce and industry.

Restoring the conversion of money into gold in the United States is not enough. Every country in the world is more dependent upon other countries now than before the war. The United States is taking definite steps to play a larger part in world economic and political affairs. International cooperation in commerce and trade definitely depends upon the restoration of stable monetary relations and allowing prices to balance the accounts between countries as in the past with a free flow of gold and goods wherever price advantages take them. This does not mean that each country will have the same monetary unit. Each country should have a monetary unit to suit its needs. It makes no difference whether the French franc is worth five cents or 20 cents so long as the franc, regardless of its size, is convertible into the same amount of American money or gold or any other sound money convertible into gold. The currency unit of each country should be that which experience has determined to be most suitable to that country. Some countries may choose to adopt a modified form of gold conversion which suits their circumstances. For example, the gold-exchange standard has served many countries very well in the past and may prove the most desirable for their needs. Such a currency, of course, for international trade purposes is as good as gold and payable in gold.

In terms of dollar units the world today has three times as much gold as at the end of World War I. With the restoration of the conversion of money into gold and gold again free to seek its best market, or the market where it will buy most, or where you can buy most with it, this 200% increase in the world supply of gold will redistribute itself naturally in the various countries of the world according to their needs and their competition in international trade. With this increased supply of gold, prices and the volume of currency will no doubt remain substantially higher than before the war. This will be justified not only by the increased supply of gold, but also by the reduced value of the dollar resulting from our devaluation in 1934. In the struggle to get back to freer markets in international trade, tariffs, quotas, and bilateral restrictions are restraining forces. But a free gold market with the restoration of sound monies would make it easy to show the advantage of removing some of these other restrictions which have been brought about with misguided efforts to increase trade by putting up barriers which restrict trade.

NYSE Short Interest Increases to May 15

The New York Stock Exchange reported on May 20, that the short interest as of the close of business on the May 15, 1947 settlement date, as compiled from information obtained by the New York Stock Exchange from its members and member firms, was 1,314,391 shares, compared with 1,018,631 shares on April 15, 1947, both totals excluding short positions carried in the odd-lot accounts of all odd-lot dealers. As of the May 15, 1947 settlement date, the total short interest in all odd-lot dealers' accounts was 64,007 shares, compared with 53,866 shares on April 15, 1947. The Exchange's announcement, issued on May 20, went on to say:

Of the 1,351 individual stock issues listed on the Exchange on May 15, 1947, there were 79 issues in which a short interest of 5,000 or more shares existed, or in which a change in the short position of 2,000 or more shares occurred during the month.

The following table compiled by us shows the amount of short interest during the past year:

1946—	
May 15	1,022,399
June 15	867,891
July 15	849,698
Aug. 15	732,649
Sept. 13	627,964
Oct. 15	757,215
Nov. 15	927,002
Dec. 13	893,178
1947—	
Jan. 15	798,081
Feb. 14	1,046,797
Mar. 14	1,015,331
Apr. 15	1,018,631
May 15	1,314,391

With Tucker & Company

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, CALIF.—William P. Graef has been added to the staff of Tucker & Co., 132 Pine Avenue.

Management-Stockholder versus Union-Worker

(Continued from page 11)

In other words, which group of officers is the more autocratic and operates under fewer democratic controls?

Unions Democratic

The fact is that almost all local unions and all but a very few national unions hold annual elections of officers. At these elections all union officials are elected directly by personal vote of the individual members. Compare this to the procedures whereunder corporate officers are selected. While it is true that most corporations hold annual elections, these elections are not for the most part participated in by the stockholders personally. For the most part officials are elected by proxy ballots, something unheard of in the labor movement.

The system of proxy voting by stockholders has developed enormously and to an extent wherein the personal voice and the personal vote, normal and customary in union elections, is rare, and exceptional in corporate elections. This is quite understandable. With the multiplicity of shareholders in many corporate enterprises, scattered throughout the land, with constant transfer of holdings and difficulties and expenses involved in attending shareholders' meetings, corporate ownership has become in the main absentee ownership.

Management has not been slow to realize this situation. Consequently various devices and arrangements have been and are being resorted to rather to discourage instead of to encourage attendance at annual stockholders meetings. Thus management has pretty well surrounded itself by a practice and procedure to assure itself more or less of continuance in office and of policies decreed by it.

Corporations More Autocratic Than Unions

Then again, in corporate elections it is not the officers or managers that are elected but a Board of Directors which in turn select the managing officers. By this process of indirect elections and proxy voting, the actual guiding heads, those who run the business throughout the year and are in daily contact with the employees, the consumer and the public, are not selected by shareholders and are primarily responsible to the Directors. This is a situation that is far more conducive to autocratic action than the union system of elections.

But the opportunities for autocratic action in corporate as compared to union affairs does not stop there. Once a set of corporate officers are selected they function throughout the year without the necessity for consultations with anyone, except perhaps for periodic and often perfunctory meetings with the Board of Directors.

The situation is far different in the labor movement. There it is customary to hold monthly meetings which the entire membership is entitled to attend and at which the entire membership participates in the conduct of the union's business and in the formulation of policies. Thus, union officers are directly accountable, and at frequent intervals, to the membership at large; the same is far from true as respects corporate officers in their relationships to shareholders.

It is not difficult to imagine how long any union official would continue in office if he didn't produce for his membership all that that membership thought itself entitled to. On the other hand, management may and has exercised with impunity great discretion and power to deny to stockholders dividends that might rightfully be declared, or has decided to pour into reserve accounts a great percentage of profits for alleged tax-avoidance purposes, or in an endeavor to avoid increasing market values or for a host of other reasons.

Notwithstanding all this, the newspapers continue to be filled with loose talk about the lack of responsibility alleged to be demonstrated by union leaders with never a word concerning the lack of responsibility actually demonstrated by many corporate officials. I wonder what would happen if the spotlight were turned in the other direction for a while.

Newspaper talk about lack of responsibility doesn't end here. We are constantly hearing charges concerning the alleged lack of responsibility not only to the rank-and-file membership but also to the public demonstrated by union leaders. So prevalent have become these charges that a mass of unconstructive, foolish and contradictory legislation has been introduced both before Congress and the various state legislatures throughout the country. I categorically deny the truth of such charges, although this is not the place nor have we the time to go into the matter to the length which it deserves. But it is relevant to inquire into both the opportunities possessed by and the actual practice of management in respect to their avoidances of public responsibilities. Let us examine the other side of the picture for a minute or two.

Management's Freedom of Action

Management is given and has exercised complete freedom to determine policy in the field of industrial relations and in the treatment to be accorded employees. It can and does make decisions and take action in these respects without consulting anyone and without regard to the effects of its policies and practices on the general public. It may and does autocratically reduce wages; it may and does engage in lockouts or worker intimidation. Even in the course of collective bargaining, it may and does engage in dilatory procedures and tactics. It may and does promote jurisdictional controversies by giving preference in employment to certain groups.

All of such actions obviously may very well provoke strike action; indeed, in some instances it may be intended to provoke strike action. Yet, in taking such actions, management is not restrained by any cooling-off period or by any threat of injunctions or by any of the various restrictions and limitations sought to be placed upon our trade unions.

Corporate management in determining and putting into effect wages, hours and working conditions is subject to no limitations or restrictions whatsoever in spite of the fact that their actions in this field might and often do inevitably react to the detriment of the general public.

There are those corporate officials who are of opinion that savings effected in our economic and industrial enterprises should be used primarily, if not solely, to increase dividend payments to stockholders. Many stockholders maintain the same point of view. On the other hand, there are those who would pass all such savings to consumers in the hope and for the purpose of improving the competitive standing of the enterprise in which they officiate. Seldom, if ever, do any include employee participation in the apportionment of such savings.

Worker Incentive

Every now and then one hears the voice of complaint that the workers by and large are manifesting no great interest or concern in the progress or success of the concern in which they are employed. Whether such complaint is well founded or not, the fact remains that production could and would be materially increased and the service improved if such lack of interest and participation of workers in savings had not existed. Corporate management, altogether too often has placed too much emphasis on increasing profits or cutting prices and has given little if any consideration to providing incentives to workers. There has been altogether too much of the slide rule practice and too little of application of the human factors involved.

Then again, this unrestrained power of management in the field of industrial relations represents only one aspect of its unrestrained power to act in matters necessarily affecting the public. We hear a lot about John L. Lewis and his power through his coal miners to disturb the national economy, and of Whitney with his railroad workers, and of Murray with his steel workers. What about the completely unlimited power of any one of our largest corporations to raise prices at will or to lay off employees at will or to reduce wages at will, any one of which acts would have repercussions throughout our entire economy? Remember that 200 of these companies, although representing less than 1% of the total number of corporations, together control over 60% of the nation's manufacturing facilities.

It is too often forgotten that the key industries of this nation are each completely dominated and indeed all but monopolized by from two to four private concerns; for instance, four in steel, four in copper, two in aluminum, three in automobile, five in rubber and oil and so on down the list. A decision to raise prices or to cut wages or to lay off employees in any one of these giant enterprises would drastically affect our entire economy, yet is there any talk of curbing the power of the managers of those enterprises to dictate these policies as it will? Do the newspapers insist on placing the same straitjackets upon management that are now being placed upon labor?

The answer, of course, is "no." And yet, paradoxically and tragically enough, the very force which is being deprived of its freedoms and powers, namely the labor movement, is alone the force which can and does operate to impose at least some restraint upon the otherwise unfettered discretion of corporate management to execute policies whose repercussions may be nationwide.

Again, I wonder what might result if the spotlight were turned in the other direction and the public were made to realize the impact on it that can result from every decision of these giant corporations in the field of employee relationships, in the field of prices, and in many other fields of operation. Does management think that it will be far behind labor in the imposition of Federal regulation once the fact is comprehended by the public that decisions made in the secrecy of a private office, by a private set of corporate officers bearing no public responsibility whatsoever, may have as great effect upon them and upon our entire economy as an Act of Congress?

Management's Responsibility

Is there any answer, then, except government regulation? The answer is for management to assume a fuller degree of responsibility not only to the shareholder but to the general public, just as it is the answer in the field of labor for those who lead the labor movement to have an ever increasing regard for the effect of their actions upon the general public. Such an awareness is even more necessary in the corporate field than in the labor field because corporate officers are, as we have seen, more isolated from

what at least could be deemed a segment of the public—namely, the shareholders—than are labor leaders for what can also be deemed a segment of the public—namely, the union members.

It is my sincere belief that management can make its best contribution to the maintenance, continuance and promotion of the free enterprise system, and at the same time can best serve stockholders, by looking beyond the scramble for profits and by being preoccupied with something more than the amount of dividends. Management must, in addition, exercise self-restraint in its dealing with its employees and in its decisions in matters such as prices, which must inevitably affect the consuming and general public. The only substitute for self-restraint is governmental restraint, and governmental restraint means, of course, the end of a free enterprise economy.

In a free enterprise economy it is as important for management to be free of governmental restraint as it is important for labor to be free of such limitations. Once either group is thrust into a governmental straitjacket or its freedoms curtailed so that the balance between free management and free labor so necessary for the maintenance of the free enterprise system is lost, the government is obliged to step in to quell the chaos and disruption which must inevitably result.

It is only and through an *equality* of bargaining power that management and labor can have any ability to make joint *voluntary* decisions; to give either side an advantage, decisions must be arbitrarily or autocratically dictated with small prospect for compliance except through government intervention. The experience of both management and labor with the War Labor Board has conclusively demonstrated that decisions made by outsiders are not only unsatisfactory but often hinder rather than help industrial relations and the needs of production.

So, again I admonish restraint and more restraint, voluntarily exercised, lest the interests of management, shareholders and employees all be irretrievably lost in the quagmire of government dictation.

Now with reference to the status and relationship of stockholders to corporate management, to lessen or instigate possible conflicts with labor and serve as well a social and community interest and advancement, enhance economic improvement and assure the perpetuity of our free enterprise system, I would urge a constantly increasing interest and participation by stockholders in the affairs of the company in which they are part owners.

Stockholders' Responsibilities

Stockholders can no longer evade or prove indifferent to their responsibilities as owners of American enterprise. The time has passed when the social responsibility of ownership may lightly be shifted to the shoulders of corporate management. Stockholders must assume their rightful place in the whole structure of our economy.

I appreciate fully the difficulties presented in stockholders attending annual corporate meetings due to multiplicity of stockholders, transfer of interest, cost of attendance, etc. I am quite fully aware of the fact that on such occasions stockholders are at great disadvantage with corporate officials in that almost sole reliance for information regarding production, sales and fiscal policies must be had from management. Nevertheless, it is incumbent on stockholders to devise methods and centers of information and guidance that will enable them to give expression to their point of view and to meet more adequately and fully their responsibilities as joint owners of our industrial, commercial and financial enterprises.

It appears to me that such an organization as this or similar organizations could and would well serve as stockholders' informational centers; offices where stockholders could apply for definite and accurate information regarding the status of any particular enterprise or company. Such a center officered and managed in a reliable, trustworthy and honorable fashion could in time act as an agency to assist stockholders in exercising some influence in guiding and directing corporate management.

Then too, such an arrangement might well tend to a better understanding and relationship with labor than is at present indicated in literature that has come to my attention and to the effect that since stockholders are not organized, managements find it easier to submit, partially at least, to the pressure put upon them by labor rather than consider first the interests of their stockholders.

Through such organizations, non-profit and non-partisan in character, corporation stockholders, who, in most instances are not financiers, but the owners of a small business, an insurance beneficiary, or a wage earner, would place themselves on an equal basis at the conference table with corporate management. Membership in such organizations can give the individual's voice weight and volume, and provide the checks and balances which prevent officership and direction of corporate enterprise from becoming predatory.

Through a system of checks and balances, exercised in government and social activities, industry and its investors—large and small—have grown and prospered. Through this very system a continent has been united, protected itself from aggressors, preserved its natural resources and harnessed its power. Through this system, with its privileges—and its justly conceived balancing restraints — America has become great. Only through organizations of the little people — into trade unions, leagues of investors such as yours, and other constructive organizations — can our country remain as it is, a bright star in a very hazy, filmy firmament of nations.

Washington and You

(Continued from page 5)

here now talk of transplanting the agency from Philadelphia by fall at the earliest.

* * *

House Republicans have hoisted storm warnings for the reciprocal trade program that have the State Department worried. Next year the President's power to juggle tariffs expires. It won't be extended as is. Shortly after Congress convenes in January, look for House GOP hatchetmen to trim this presidential authority, to impose some sort of a legislative check on the lowering of import imposts. Senate internationalists can't hope to block House action, can only labor for a legislative deadlock and subsequent compromise.

* * *

Already House enemies of reciprocal trade have scattered itching powder in diplomatic beds by (1) directing the President to hike the wool tariff when imports reduce domestic consumption or interfere with price support, and (2) convoking a special Ways and Means sub-committee to snoop into deals devised at the current Geneva conference.

* * *

First general revision of all postal rates since 1879 is starting through Congress, will be OK'd after scattered opposition by special interest groups. It's estimated to cost the public — and business —an extra $298,395,000 annually. The legislation retains the 3-cent letter postage — which would otherwise drop a penny July 1—and hikes rates on special delivery, air mail, money orders, postal notes, registered, insured, C.O.D., and second and third class mail.

* * *

Mail order houses must whack off a larger chunk of their budget for postage. Rates on catalogs are to be increased $6,500,000 annually. Likewise magazines. The new rates on periodicals are estimated to boost extractions from publishers $3,650,000 per year.

* * *

Efforts to melt the St. Lawrence waterway out of cold storage with oratory are to fail. Even disguised as a self-liquidating contrivance it can't get through Congress this session. Don't expect progress beyond the hearings stage.

* * *

Attention Wall Street! Better be alert for doings of congressional cops who would change some of your traffic rules. Over the next few days, watch developments here on (1) short selling, (2) margin trading, (3) railroad reorganization.

* * *

You'll hear grumbling against short selling, but that's about all. The crusade won't get beyond the jawbone phase. Too painful is Republican recollection of how late in the Hoover administration their investigators went for a ride on the short sale merry-go-round without grabbing the brass ring.

* * *

"Where is your SEC that has been established to see that these things do not happen?" and "Isn't NYSE President Schram a New Dealer?" Eighty-one year old Illinois Representative Sabath recoiled from these questions by colleagues after he had introduced legislation prohibiting interstate transmission of misleading security information and taxing short sales 5%. Mournfully he answered . . . "I have gone after the Securities and Exchange Commission," and "I do not believe Mr. Schram is a new Dealer because New Dealers have the interests of the people at heart."

* * *

Federal Reserve Board Governor Eccles is to be summoned by the House Banking Committee to tell why the cash margin can't be dropped from 75% to 50%. In the face of committee curiosity, the Reserve Board has concluded to stand by its 75% edict. The Committee will want to know (1) whether the margin can be safely lowered, and (2) how it can be cut if Eccles and his men remain obdurate.

* * *

Popular support is about to propel the Reed-Myers railroad reorganization bill through Senate and House. Wall Street spokesmen have told the Judiciary Committees of both bodies they like the legislation. Most articulate opposition comes from carriers now being reorganized. Their complaints are two: the legislation would (1) void progress and delay reorganization, and (2) assign control to speculative groups which bought up securities at bargain counter prices.

* * *

The House Appropriations Committee warns that farm loans must be curbed and says here's why . . . "Land values are high. There is reason to believe that before these loans are paid off prices of commodities will recede. It appears inadvisable that undue encouragement should be given to the purchase of farms at inflated values because of the hazards involved to purchasers."

* * *

Less positive but equally cautious on farm land is Agriculture Secretary Anderson. Before the Appropriations Committee he testified . . . "I am not able to predict whether shrinkage in land values will come or not, but I know the land values are directly related to farm prices, and most of our good economists and careful bankers and people connected with our farm plant believe that with the slackening of demand for goods world-wide there may be a dropping in prices and hence a drop in the value of farm lands."

* * *

RFC ambition to become a "permanent" agency is to be thwarted. Congress will continue RFC in some shape for a stipulated period, won't grant a permanent charter.

* * *

Disregard gossip of sugar decontrol by legislative mandate. Bulk of Congress trusts Agriculture Secretary Anderson, finds no fault with existing law empowering Anderson to decontrol when he deems advisable. The McCarthy-Bricker-Wherry-Kem-Malone-Williams-Ecton bill scuttling the Sugar Control Act won't even get out of the Senate Banking Committee, won't nag Anderson into premature abandonment of rationing and price control. You can look for some definite word on Anderson's intent around July 1.

* * *

If you make loans on frozen foods and vegetables, keep a check on the Navy Department's packaging and transportation experiments. The Admirals hope to develop a technique whereby frozen foods may be supplied to personnel the world around. That points to broader markets for the freezers.

* * *

Between 1934 and current date, the Federal Housing Administration has insured more than $10,000,000,000 of housing loans, of which more than half has been repaid or amortized. The agency has paid or will pay dividends of $4,500,000 to borrowers who paid off their loans.

Softball League Schedules Organized

The Wall Street Athletic Association Softball League has been organized for the 1947 season and its schedule of games drawn up, Anthony J. Shields, of Harris, Upham, & Co., President of the Association, announced today.

Eight teams representing various Wall Street organizations will comprise the league this year, according to Mr. Shields. Each team will play every other team twice during the regular season. One game will be played each Tuesday and three each Thursday at Croke Park, 240th Street near Van Cortlandt Park.

At the close of the regular schedule the four top teams in the league standings will engage in a playoff series to determine the Wall Street championship. The winning team will receive the Jules Bache Trophy, which has been awarded the league champions for many years and which is now held by the New York Curb Exchange, 1946 winner.

Play in the league opened on Tuesday, May 27, with a game between Merrill Lynch, Pierce Fenner & Beane and Carlisle & Jacquelin. On Thursday, May 29, the F. V. Foster team meets Hirsch & Co., the Curb Exchange faces DeCoppett & Doremus and Josephthal & Co. opposes Carl M. Loeb, Rhoades & Co. to get the season in full swing.

The Wall Street Softball League was revived last year after an interval of five or six years of inactivity during the war.

Acting as a league advisory board are Stuart Scott, Jr. of Carlisle & Jacquelin; H. B. Godsell, a member of the Curb Exchange; and Michael DeMarco of Josephthal & Co.

Firms represented by teams, with team manager, are:

Carlisle & Jacquelin, Edward Basso; De Coppet & Doremus, Charles Michaud; F. V. Foster, Carl Frederiksen; Hirsch & Co., Robert Keating; Josephthal & Co., John Flanagan; C. M. Loeb, Rhoades & Co., Max Geist; Merrill Lynch, Pierce, Fenner & Beane, Bernard Galvin; N. Y. Curb Exchange, H. B. Godsell.

Games scheduled are:

May 27—Merrill Lynch, Pierce, Fenner & Beane vs. Carlisle & Jacquelin.

May 29—F. V. Foster vs. Hirsch & Co.; N. Y. Curb Exchange vs. De Coppet & Doremus; Josephthal & Co. vs. C. M. Loeb, Rhoades & Co.

June 3—Merrill Lynch, Pierce, Fenner & Beane vs. Josephthal & Co.

June 5—F. V. Foster vs. N. Y. Curb Exchange; Hirsch & Co. vs. De Coppet & Doremus; Carlisle & Jacquelin vs. C. M. Loeb, Rhoades & Co.

June 10—Merrill Lynch, Pierce, Fenner & Beane vs. C. M. Loeb, Rhoades & Co.

June 12—F. V. Foster vs. De-Coppet & Doremus; Hirsch & Co. vs. N. Y. Curb Exchange; Carlisle & Jacquelin vs. Josephthal & Co.

June 17—Merrill Lynch, Pierce, Fenner & Beane vs. F. V. Foster.

June 19—Carlisle & Jacquelin vs. Hirsch & Co.; N. Y. Curb Exchange vs. Josephthal & Co.; De Coppet & Doremus vs. C. M. Loeb, Rhoades & Co.

June 24—Merrill Lynch, Pierce, Fenner & Beane vs. Hirsch & Co.

June 26—De Coppet & Doremus vs. Josephthal & Co.; C. M. Loeb, Rhoades & Co. vs. N. Y. Curb Exchange; Carlisle & Jacquelin vs. F. V. Foster.

July 1—Merrill Lynch, Pierce, Fenner & Beane vs. N. Y. Curb Exchange.

July 3—F. V. Foster vs. Josephthal & Co.; Hirsch & Co. vs. C. M. Loeb, Rhoades & Co.; Carlisle & Jacquelin vs. De Coppet & Doremus.

July 8—Merrill Lynch, Pierce, Fenner & Beane vs. De Coppet & Doremus.

July 10—C. M. Loeb, Rhoades & Co. vs. F. V. Foster, Carlisle & Jacquelin vs. N. Y. Curb Exchange; Josephthal & Co. vs. Hirsch & Co.

Curb 5 & 20 Club

The recently organized New York Curb Exchange Five and Twenty Club held its first get-together on May 22. A business meeting was followed by a beefsteak dinner.

Approximately 100 club members, all of whom have been members of the Curb Exchange for at least 25 years, were present. Guests of honor included Francis Adams Truslow, President of the Exchange; Edward C. Werle, Chairman of the Board; Frederick J. Roth, Vice-Chairman; William A. Lockwood, General Counsel, and Henry H. Badenberger, President of the Curb Employees' Quarter Century Club.

Two With Hutton in Boston

(Special to The Financial Chronicle)

BOSTON, MASS.—W. E. Hutton & Co., 75 Federal Street, have added Stephen P. Mallett, Jr., and Ralph B. Weber, Jr. to their staff.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Prices of Treasury obligations continue buoyant, as the authorities still supply the market with issues that are in demand. . . . It seems as though the trend could improve somewhat without causing too much concern, in view of the uncertain economic conditions. The market has not been too broad yet, with purchases apparently being confined largely to selected intermediate- and long-term eligible issues, along with the restricted 2¼s and the Victory 2½s. . . . Some obligations, especially the partially-exempts, have not been taken off the hook for quite a spell, for even a good dusting. . . . The skipping of the weekly redemption of bills may have real significance, so this development should be watched very closely. . . .

The feeling is gaining ground in trading and investment circles, that if the market does not show a tendency to get wild on the up side, there will be no new action on the part of the powers that be. . . . It is full well realized that investors must put funds to work, and this could cause temporary bulges in prices of certain issues. . . .

However, as long as this type of buying does not bring into the market speculative purchases with rapidly advancing prices, there should be no cause for alarm, since the money managers should be in a position to continue to supply issues that are in demand in order to keep prices within desired limits. . . .

LESS FEARFUL

Because of the willingness of the authorities to sell securities to keep prices in line, more followers of the government markets are veering to the viewpoint that there will be no important changes in the money markets in the near future. . . . While this does not mean that there has been a tendency to eliminate the defrosting of short-term rates as a market factor, there is not the same fear that there has been, that it will take place overnight. . . .

It is believed that the fiscal year may pass as well as the flctation of the World Bank bonds, before there is an unpegging of near-term rates. . . . Other important elements in the situation that appear to be bolstering this opinion that alterations in short-term rates are not as imminent as had been believed by many, is the uncertain trend of business, the declining prices of many commodities and increasing unemployment. . . .

Although there are many well informed followers of the money markets who still look for changes in short-term rates, they do concede that the powers that be appear to be able to keep prices of Treasury issues in line, without making changes in the long established rate pattern. . . . As long as the authorities are able to do the job as well as they have been, and can supply the market with needed issues, when positions are tight, it is believed that the money managers also are inclined to go along with conditions as they are until there is greater clarification of the economic trend. . . .

WAR LOAN CALL

The redemption of $1 billions of certificates on June 1, will have a restricting effect on the money markets, but it will not be as effective on operations as would the retirement of a similar amount of Treasury bills. . . .

Because other investors are the largest holders of the June certificates, it means that a large part of these funds will be coming back into the government securities markets for reinvestment. . . .

The 80% war loan call for June 2, for all practical purposes eliminates government deposits from the banks. This means that reserves to be set up against government deposits after June 30 will not be so important. . . .

For the next few weeks, however, it seems as though there are factors coming into play in the money markets that could create temporary tight money conditions that might have a retarding influence upon the trend of Treasury security prices. . . .

MARKING TIME

Although there have been no published accounts of the happenings at the meetings between Treasury officials and representatives of the savings banks, word of mouth reports indicate that the impressions taken away from the sessions by certain of the banking group were that the government is not inclined to do anything much in the money markets at the present time. . . .

While discussions were concerned with the many phases of the money market and goverment securities, there were no indications that long-term bonds would be issued unless the market gets out of hand on the up side. . . .

Whether the securities that might be offered under tight supply conditions would be the same as the outstanding obligations or a new type along the lines of the Series "G" savings bonds, was supposed to be one of the important points taken up. . . .

The feeling gathered by some of the bankers at the conference, according to reports, was that changes in short-term rates were probably not as close at hand as had been expected. . . .

SALES AND PURCHASES

The latest available Treasury figures (February 28, 1947) on holdings of government securities showed that the commercial banks continued to lengthen maturities, with the 2¼% due 1956-59 still the most favored issue. Between the end of last year and February 28, 1947, the member banks added $203,000,000 of this bond to their positions. . . .

The second most important acquisition among the taxable securities was the 2½s due September 15, 1967-72 which were bought in the amount of $50,000,000. . . .

The 2s due June and December 1952-54, were next in line, with purchases totalling $18,000,000 for each of these obligations. . . . Other investors, including dealers, were the largest sellers of the 2¼s, followed closely by the savings banks and then the life insurance companies. . . .

The 2½s were sold principally by the savings banks and other investors. . . .

Aside from the 2s due September 15, 1949-51, which were bought in the amount of $14,000,000, all of the other taxable bonds, due from 1951 and shorter, were sold by the deposit banks. . . .

The heaviest selling was in the 2s due September 15, 1951-53 followed by the 1¾s due 1950 and the 2s due December 15, 1949-51.

The Recent Violent Stock Market Swings

(Continued from page 3)

have started an avalanche of selling. Moreover, it is inconceivable that large holders of securities or business magnates would risk their fortune or undergo heavy financial losses in the dubious attempt to turn a political tide mildly in their favor.

Of course, other and more adequate reasons were given at the time for the market break. Some ascribed it to the weak technical situation of the market. Others said it discounted approaching business depression. But to men in the securities business it was increasingly clear that with all efforts both by the Federal authorities and the securities exchanges to avoid drastic and precipitate swings in stock prices since 1929, the recent experiences may have been brought about by the very forces which were expected to prevent them. Thus, as stated by Edmour Germain, writing in the "Chronicle" of Sept. 12, 1946 (p. 1415): "A large number of brokers feel that the stock market is unable to cope effectively with the present situation because of the severe governmental restrictions which have been clamped down upon it during the last decade or more. The market is thin—that is, lacks buyers—for instance, they think because of the 100% margin rule. The Association of Customers Brokers have been seeking for some time to get the Federal Reserve to relax its margin restrictions, and it will take up the matter again. Some Wall Street observers believe, too, that the stock market today cannot be considered a true barometer of business trends for the reason that the restrictions prevent the operation of a truly free and so really representative market capable of mirroring the business picture as it really is."

Now, it is quite evident that in any severe stock market decline, the remedial action is large buying by that segment of the public, which by its faith in the future, has already devoted their energies and risked their savings in building up industry and investment. Moreover, it is this segment which has the liquid resources and the credit to buy at the time when masses are forced to sell. This stabilizing or supporting influence on security prices was noticeably absent in recent stock market breaks. This is due not so much to lack of faith in current values as to the restrictions and prohibitions placed upon capitalists and corporation managers in their investment and speculative activities. A banker, corporation executive, or director, who, as in the past, calculating that the market value of stocks in which he already has committed himself, has become unduly depressed, would naturally in his own interest as well as that of the public, seek to support the issue by purchasing additional shares. The late E. W. Harriman, John D. Rockefeller, J. P. Morgan and a host of other capitalists have done this from time to time and it has been done as much in the public interest as for their own profit.

But could it be done in these times? In the first place, even investment bankers and large industrialists need credit in these transactions. It is a common fallacy to hold that margin trading is indulged in largely by small speculators with limited means. Credit based on collateral is required in large as well as in small transactions. In fact, all modern business is done on credit based on existing equities. Few buildings have undergone construction, without resort to mortgage borrowing. Few businesses have expanded without recourse to short-term or long-term borrowing. And even wealthy capitalists, when not having cash available, have generally effected their investment operations, through collateral credit. But under the severe restrictions now placed on this so-called "margin trading," (now 75%), these men, who in the past have frequently stabilized undue breaks in the stock market, cannot perform the same function, at least to the extent as formerly. It is not to be wondered, therefore, that severe market breaks are occurring without excessive speculation, in the very midst of high corporate profits, together with prospects for prolonged prosperity and high employment.

To remedy the evil of widespread financial speculations, which has accompanied American progress and expansion throughout history, a course has been adopted which promotes instability in investment and retards individual incentive. By clamping permanently heavy brakes on the car of progress, it cannot be expected that the car will move forward. As remarked by Mr. Jacques Coe in the issue of the "Chronicle" of Sept. 12:

"The Federal Reserve should now realize that the 100% margin regulation has been of no particular use, while the market was going up. However, when the market is going down, this same regulation acts as a boomerang and restricts the buying power of people to such an extent that declining markets create air pockets. Once, a decline of this sort gets under way, the psychological effect on declining prices brings about cumulative selling waves which, in turn, continue the unraveling process and so we have a type of market which reminds us of the collapse of 1937 and that of 1929".

This theory is backed up by Mr. Emil Schram, President of the New York Stock Exchange, who in protesting against Congressman Sabath's strictures, stated "we feel here that one of the causes of recent weakness in our market is the discriminatory restraint upon loans to millions of people who own securities listed on the national registered Exchanges."

But though recent breaks, as stated by Mr. Coe, may remind us of 1929, there is one important difference — due undoubtedly to restrictions on margin trading. The recent breaks since September, 1946 have occurred in a "thin market"; a characteristic that has contributed to the speed and depth of price declines. Since there was practically little in the way of distressed selling because of margin calls as in previous collapses, one would have expected the 1946 break to have been more moderate and less panicky. But it wesn't—and this can be fairly ascribed to "the thinness of the market," arising from curbs on stock market transactions.

Curbs on Floor Trading

Another SEC curb which hampers a stabilized market are the severe restrictions and threatened abolition against floor trading Compared with its volume and efficiency in past times, floor trading on the Stock Exchange has become almost a nullity. There are today only a very small fraction of stock exchange members who carry on this occupation, and their dealings are relatively insignificant. Yet, the floor trader, like the unlisted security dealer and the stock specialist is an important factor in orderly marketing. The presence of the floor trader on exchanges is the result of an economic principle and an orderly evolution arising out of mature trade practices. It developed because it was essential to the orderly and continuous marketing process, whereby values which are offered for sale are kept stable. The floor trader minimizes wide or abrupt fluctuations, due to temporary absence of effective buyers or sellers, as the case may be, or to a temporary disequilibrium in supply and demand. Thus, the term "price stabilizer" has been applied to the floor trader, whatever his individual motives or aims may be in carrying on his transactions. Economists and others who have made a life study of business evolution and marketing practices have used this expression. If abuses and "privileges" exist, it is not because of a fundamental error or fallacy in this economic concept. Evils and crime exist in all professions and in all trades. To eradicate these evils we do not ordinarily propose to abolish or destroy essential economic activities. We did not, in the days of the OPA urge that butchers and meat dealers be outlawed, because of black market practices in their business.

Perhaps the best statement of the contribution of the floor trader to orderly securities marketing is that of Professor Charles Amos Dice, who made a personal study of Stock Exchange operations two decades ago. In his book "The Stock Market," he says (p. 193 *et seq.*): "The results of trading [by the floor trader] on small margins of profit with rapid turnover has three beneficial economic effects: (1) it creates a continuous market; (2) it narrows the spread between the bid and asked price; it stabilizes the price from hour to hour throughout the trading period of the day. Since the room trader (i.e. floor trader) is always ready to step in with an order to buy when no one else is buying, or to sell when no one else is selling, there is always a market that fluctuates relatively little and in which the intervals in price from one sale to the next are at a minimum. . . . The trader who devotes his time to his work is often criticized as being a high class gambler who manipulates prices and creates artificial values: On the contrary, his work stabilizes prices and provides a constant market."

It was the late President Hadley of Yale University, a distinguished economist in his day, who set forth in clear language the value of dealer speculation (and, by implication, floor trading) as a price stabilizer. President Hadley writes in his widely read book "Economics" (page 101-103): "Those who hold the commercial theory of value believe that trade renders a service to society, independent of the labor of distribution; and that this service is of essentially the same character, whether the sale be made in a different market or in the same market. They hold that the work of the trader, in acquiring goods when they are cheap and parting with them when they are dear, results in the increase of their utility to the public. . . . The speculator of today makes his money chiefly by taking advantage of differences of price between different times. If the speculator foresees a rise, he buys wheat today with the hope of selling at an advance. If he foresees a fall, he contracts to make future deliveries at today's prices, in the hope that he can secure the filling of those contracts at rates low enough to leave him a profit. This is the type of transaction which forms the bulk of the business on all the leading exchanges of the world."

In support of a revolutionary proposal, the Trading and Exchange Division of the SEC in January 1945 issued a "Report on Floor Trading." This report, according to James A. Treanor, Jr., Director of the Division, is "the work of several months study" of the markets for certain low-priced motor stocks in the spring and summer of 1944, and was prepared by three individuals, under Mr. Treanor's direction. On the basis of this limited investigation, with its inadequate sampling, conducted during a period of abnormal conditions due to war and other

emergencies, a proposal was launched for legislating out of existence a class of Stock Exchange members that have performed an economic function for many decades. The proposal is authorized by virtue of Section 11 (a) of the Securities Exchange Act of 1934, which empowers the SEC "to regulate or prevent floor trading by members of National Securities Exchanges, directly or indirectly for their own account or for discretionary accounts."

When it is recalled that the whole scheme of securities regulation by Congress was drawn up in a period of violent reaction, a result of the speculation excesses of the boom period of the 1920s, it is not surprising that a rash, drastic and unwarranted provision of this kind was inserted in the law. It is merely an illustration of an attempt to straighten a rod by bending it too far in the opposite direction. It was never intended under the constitutional powers granted to Congress, that a local and private business transaction, not involving interstate commerce except by the most remote implication, could be entirely prohibited, and that a legitimate occupation of value to the public could be entirely wiped out by bureaucratic action.

But aside from this, there is a misconception of the basis for the proposal! The theory on which it is based is that the floor trader "by virtue of his access to the floor of the Exchange . . . has the advantage of instant information concerning the technical position of the market." On the same grounds, why not prohibit a rare book dealer from purchasing a volume at a public auction, on the ground that he has private information of the rareness and the desirability of the item, and therefore exercises an undue advantage over other bidders? Or should an art connoisseur be forbidden to purchase a painting, at the price he is willing to pay, on the pretext that in the transaction he is exercising a knowledge and skill, which is a "privilege" not possessed by the general public? Should real estate operators be outlawed because they have a skill and acumen which those not in the business, but who deal with them, do not have? It is to be expected that one who exercises a trade or profession should use his skill in these matters, and, unless fraud or deception is involved, the gains and emoluments are economically and morally justified. Otherwise, why undergo training and experience in acquiring an occupation or a skill?

But it may be answered that the dealings of the floor trader on an exchange are adverse to the public interest. In what respect? If the trader manipulates the market, or effects a corner, or conspires with others to give a security an artificial value, or does any act which may injure those for whom or with whom he acts, he is not only subject to discipline by the rules of the exchange, but he is amenable to punishment under the law of the land.

Rules on Reporting Trades

In addition to the unwarranted and actually harmful margin and floor trading restrictions, there is another obnoxious curb on stock market price stability. I refer to Section 16 of the Securities Exchange Act which provides that: (1) each officer and director of a corporation whose securities are registered, and each beneficial owner of more than 10% of any class of registered equity security, shall file with the Commission and the Stock Exchange initial reports showing his holdings in the company's equity securities and reports for each month thereafter in which changes occur in his holdings; and (2) profits obtained by any of these persons from transactions completed within six months in equity securities of corporations with which they are associated may be recovered by the corporation or by any security holders in its behalf.

This piece of legislation is unique. There is nothing analogous to it in any commercial nation in Europe. It goes beyond any preceding requirements of publicity of private affairs of individuals, except possibly in connection with tax returns.

The motive of the legislation is plain. It was aimed to correct the evils of "inside information" obtained by managers and directors of corporations, and the abuse of managerial powers at the expense of the corporation or their shareholders. According to the Securities and Exchange Commission, the provision for the confiscation of trading profits to the corporation "is based upon the principle that the confidential information which a corporate insider automatically obtains by virtue of his position belong in a real sense to the corporation, since he acquired it confidentially in his capacity as an official or principal stockholder."

Undoubtedly, instances of such evils and abuses have occurred and were elaborately cited in the Congressional investigations which preceded the passage of the Securities and Exchange Acts. But legislation of this nature goes beyond the scope of reasonable regulation and has serious implications. It is a damper on individual initiative and risk enterprise for those who can best afford it. In Great Britain and leading commercial nations of Europe, corporation managers, directors and auditors are regarded as trustees, and have been long held civilly and criminally liable for losses to their companies arising from actions taken for their personal profit as well as for mere negligence of their duties. This principle of the common law has been upheld and enforced in the United States, and there have been numerous stockholders' suits in this country against officers and directors of corporations on the same legal grounds. At times, through the scheming of shysters, these suits have become "rackets," and had to be dealt with accordingly. But the trustee conception as applied to corporation management was never intended to be extended to private dealings of an officer or director in the shares of the corporation with which he is connected or in which he happens to own a sizeable fraction of the concern's shares. The 10% portion named in the law is a fraction large enough to discourage investment to that extent in a corporation. It may eventually lead to executives and directors of corporations retaining in their ownership only a minimum or limited amount of a company's securities, and thus intensify the growing gap between management and ownership in business enterprises. There have been cases where railroad presidents actually boasted that they owned no shares in the corporations over which they presided. No wonder, only recently, an ostensible spokesman for the protection of stockholders' interests advocated a class of paid "professional directors" on corporation boards to check the actions of corporation officers. If corporation executives hold large stock interests in their companies it would be in their own interest to protect the welfare of all stockholders, and thus there would be less ground for friction between ownership and management.

Time to Call a Halt

With the public reversion against New Deal bureaucracy as evidenced by recent election results, it is now high time to eliminate some of the bars set up against legitimate business enterprise. During the last two decades American business has been "in the dog house," and although the free enterprise economy has been extolled by politicians and economists of all types and persuasions, the continuous enactment of more restrictive laws and the exasperating decrees of Government bureaus as well as power-seeking commissions is resulting in very little freedom and still less enterprise.

An illustration of the insatiable desire of bureaucracy to extend its dictatorial powers to the point of destroying the fundamentals of business enterprise lies in the recent agitation of the Securities and Exchange Commission to require large corporations not having securities listed on a stock exchange to furnish operating statements and other current information to it besides subjecting such corporations, its proxy rules and the like. A bill to this effect was introduced into the last Congress by Representative Clarence Lea of California. The effect of this proposal, if enacted into law, would not only burden business with more excess harness, but would further restrain the growth and expansion of individual corporate enterprises and discourage a wider distribution of equity ownership. If a step of this nature is taken, in line with previous developments in Government corporate control, it is but a question of time when further statutes, directives, and rules will place business enterprises in a straitjacket of bureaucratic machinations.

Perhaps it might be well at this point to recall what an English statesman and economist more than two generations ago stated regarding the dangers of excessive government regulation. T. H. Farrer, in the concluding portion of his classic treatise "The State in Relation to Trade" published in 1883, said:

"The ever-increasing complexity of our society; the size of our towns; the congregation of many men in small space; the vastness of our industrial organizations, and the consequent difficulties of exercising free individual action, and of enforcing individual liability; the progress of knowledge, pointing out dangers in common life which in former times were not apprehended and which can often be successfully attacked only by some form of common action such as the State alone can supply; the progress of invention, which brings with it, not perhaps greater danger to life, but danger to life on a larger scale; all these point to necessities for increasing intervention on the part of governments, central or municipal. **But on the whole, the danger at present apperas to me to lie in the direction of too much restriction, not of too much freedom.** Legislative interference cannot be too cautiously applied. There is the great difficulty of making any general rule which shall apply to the infinite variety of human dealings and circumstances, even in the best known and commonest trades; and there is the still greater difficulty of foreseeing future circumstances, and of altering rules as the ever-changing circumstances of all trades require.

"If as is frequently the case, an attempt is made to meet these difficulties by giving a power of discretionary interference to a public department, the effect is to give the department absolute and arbitrary power. It must be remembered that in these technical matters the collective wisdom of a government department in a special case, means generally the wisdom of the particular inspector or officer who has examined the case. In proportion as the action is transferred from him to the higher officers of the department, the special knowledge of the case diminishes also. A member of the Cabinet cannot be expected to know much about the strength of a particular boiler, or the efficiency of a given safety-valve.

"These objections to intervention impress themselves strongly on those who, like myself, have been engaged in central administration. They are met to some extent by transferring the responsibility from the central government to local authorities; and, as will be seen from the foregoing references, recent legislation has taken a strong turn in this direction. That it has done so is well, not only for the matter in hand, but for the general political future of the country, which depends so largely on the soundness and vigor of our local institutions."

In no other trading nation in the world are there so many laws, decisions or bureaucratic rulings relating to the economic activities of individuals as in our own "Free America."

"Last Call for the Diner"

(Continued from page 8)

war chest credits prior to 1939 and 1941; when I see President Truman requesting manufacturers to reduce prices in one breath and in the very next breath encouraging labor to secure further wage increases; when I see the Department of Agriculture and/or other Government gencies buying commodities heavily; when I see savings banks' deposits increasing in New York State for the 57th consecutive month; when I view the huge aggregate deposits in America's commercial banks; when I note the farmers' exceptionally high purchasing power as the result of some six years of consecutive good crops at better and better prices and excellent prospects for this year's crops at fairly good prices; when I see inflation the order of the day throughout the world, from which inflation we cannot hope to escape; when I see the credit balances of investors and speculators with New York Stock Exchange brokerage firms higher than aggregate debit balances; when I see loans direct from banks to investors for carrying securities at low levels and a substantial portion of these moderate loans are for carrying U. S. Government securities and other bonds—then I feel that the market is sold out, perhaps even oversold. Also I believe I see rather clearly a 50-cent or 40-cent dollar rather than the 100-cent dollar which we knew in the 20's and still hoped we had in 1938-40. To that old dollar I am convinced we shall not return in early future years, if ever.

Accordingly, with stocks currently at the 164 to 166 Dow-Jones Industrial average, I think, on the basis of a 50-cent dollar, they actually are selling at an equivalent of 82 to 85, which compares with 1938 and 1942 lows between 92 and 100.

Already one of the largest groups, the oil stock group, valued at over $8 billion on the New York Stock Exchange (out of a total listed stock market valuation of over $68 billion) appears to have resumed its bull market, several leading stocks in the group recently having made new highs. The chemical group valued at $8.7 billion appears in position for a substantial long-term, if not also short-term, rise. I believe that the automobile industry and its satellites, the harvesting equipment industry and the steel industry stocks are likely to be next in line. Dynamics in the motor group have already begun with the recent rise in Chrysler. The steel industry appears almost certain to follow, since capital expenditures currently are huge and appear likely to continue large for an indefinite period ahead, perhaps as long as five years. The demand for steel through 1947 from many and diversified durable goods industries is prodigious. Such steel demand should be stimulated further in 1948 and 1949 as new large construction projects, railroad re-equipment, road building, delayed school, hospital and public building, etc., gets under way importantly. In due course, as usual, rails should attract speculative interest, since it is illogical to have a busy American economy employing 55 million or more persons at the highest wage rates in history and not have such excellent purchasing power reflected in increased freight movements.

As to the current substantial industrial earning power, I do not believe, as many others have expressed themselves over the past six months, that present earnings are a flash in the pan, but rather that they are the beginning of a long period of unusually high industrial earnings such as in 1897-1906, or 1925-1930. Immediately prospective earnings are likely to be higher than those of 1937 and 1929 before taxes and even well above those years after 40% taxes. It is reasonable to anticipate a lowering of the corporate tax rates for the year 1948. It is reasonable to expect lower personal income taxes beginning July 1, 1947. It is reasonable to expect a labor regulation bill which will be favorable to industry and American economy as the Wagner Act and other New Deal labor acts were unfavorable.

The stock market has been entertaining bearish news for at least eight months without major damage to the country's financial structure and to the stock market as a whole since Oct. 9, 1946 (163.12 in the Dow Jones industrial averages). Comparatively little bullish fodder has been capitalized. Only in the oil industry group has there been capitalization of favorable news. The New York public has been exceptionally skeptical, while the out-of-town public has shown much more confidence in the country, its current earnings and potentialities. It is felt that the more favorable out-of-town point of view will predominate over the ephemeral Wall Street point of view, which view is so much affected by the flotsam and jetsam rather than by the tides. The Street, in the very nature of its business, almost always is bullish at or near market tops and bearish or cautious at or near market bottoms.

I look for a possible bear panic, which could advance the industrial share market some 15 to 30 points above the recent approximate 163 low, which low approximately duplicated the Oct. 9, 1946 low. After the bear panic, I look for a possible reaction of approximately a third of whatever gain the market makes from the recent 163 level. If one is willing to take the chance that the bull market has not been resumed, it would seem wise to observe the market very closely after the next sharp rally, for if it loses only about a third to 50% of whatever rise we may have now, then goes dead and starts turning up again, I believe it will be the "last call for the diner."

Charles Sill to Be Cohu & Torrey Partner

Cohu & Torrey, 1 Wall Street, New York City, members of the New York Stock Exchange, will admit Charles F. Sill of Los Angeles to partnership in the firm on June 5th. Mr. Sill was formerly a Vice-President of the First California Company. In the past he was with M. H. Lewis & Co.

The Steel Industry Today and Tomorrow

(Continued from page 7)

of 1929. In fact prior to the Great Depression, there was a saying among stock market men, that whenever the steel industry operated at a rate above 90% for more than three consecutive months, some letdown of business was coming. Many are now curious to know whether there is any merit in that old notion.

In spite of unparalleled demands for all classes of products, there have been no runaway prices for steel. I refer to the legitimate markets, not to the so-called "daisychain" transactions, where paper offerings have greatly multiplied actual tonnages.

It was necessary to wait for the removal of OPA controls, with their reckless efforts to destroy profits, before any degree of soundness could be injected into the relations between cumulating costs and prices for your products. The general price advance at the turn of the year put the average published price of steel products, as compiled by well known trade papers, close to 3 cents per pound. That is about ½ cent per pound above the average of wartime OPA ceiling prices. It is about the same margin higher than the average price of ten years ago. It is a shade higher than the figures for 1923, when the industry was emerging from the preceding slump.

For comparison, look at the prices of some other metals. Since controls were removed, the prices of important nonferrous metals have been increased as follows: tin, up 28 cents per pound; copper, up 9½ cents; lead, 8 cents; zinc, 2½ cents. Those increases ranging up to 100% are in sharp contrast with the 20% advance for steel.

Steel Prices

During the last few weeks there has been much comment about prices generally being too high. Steel prices frequently have been singled out as one of the places where reductions should be made, as a contribution toward checking inflation or to help fend off a business recession.

Here is a fair sample of the line of thinking that steel prices should be lower, which recently got nationwide notice.

"The price of steel is currently less than 3 cents a pound. It has gone up a modest third of a cent in the past year. It has very little direct effect on the cost of living. And yet as we see it, the price of steel is the immediate key to our success or failure as a nation."

Obviously the conclusion does not follow from the stated facts.

In view of the recent public interest in steel prices it seems appropriate to consider three common tests by which the price for any product may be appraised. First, is the price level such as to restrict or curtail the use of the product? For steel the answer is convincingly clear, in the persistent demand for more of everything, for old uses and for new. Currently and over a long span of years, price has set no limits on the use of steel. On the contrary, its use and utility have steadily expanded, because at its price steel consistently has offered far more than could be had from any other metal. Today there are more users of steel, and in the aggregate they are demanding and getting more steel, than ever before.

Second, does the price level tend to prevent the payment of good wages? For steel again the answer is clear and to your credit. Steelworkers have long ranked among the highest paid wage earners in manufacturing industries. Their present wage has far outrun the moderate rise of steel prices. Both the basic wage rate and average hourly earnings are now at the highest level ever reached in this industry. They stand close to 80% above the figures of ten years ago.

Profits Not High

Third, does the price level produce an unreasonable margin of profit? For this test, too, the answer is "no." Profits are not high in relation either to dollar value of products sold or to invested capital. The two main functions of profits are to permit some return to the owners of an industry and to provide the capital on which continuing plant maintenance and modernization depend. Today there is a question in the minds of many steel men whether recent profit margins are adequate to provide for replacements.

In this connection I want to quote from one of our outstanding economists, Dr. Leo Wolman, who said not long ago: "In the business system we run in the United States there is no substitute for profitable operations. For on profitable operations, not on legislative or union standards, depends the material welfare of employees, union or non-union."

Let me recall some of the significant facts in the profit experiences of steel companies, keeping in mind that published profit figures for some companies include the results of various activities which are not steelmaking.

In the five years 1931 through 1935 this whole industry produced an average of about 20 million tons of rolled products per year. On that production the industry lost an average of more than $2 per ton. In the next five years, 1936 through 1940, when production was almost twice as great (average 38 million tons a year), average earnings, after all charges, were between $4 and $5 per ton. In the five war years 1941-1945, average annual production was nearly 63 million tons, but average earnings dropped below $4 per ton. Over the entire stretch between the two World Wars the average annual production was just over 31 million tons, on which average earnings were somewhat above $3 a ton. In no case has the average over a period of years reached a quarter of a cent per pound.

If there is anything in such profit figures which has to be justified, it is to your stockholders because they were not bigger.

However, recent production and earnings figures, especially in the aggregate, look impressive as compared with some earlier years. And in various places, there is an inclination to consider them as reflecting increased productivity, while productivity, in turn, is regarded as a guide to greater rewards for labor.

Workers Not More Productive

But, such so-called increased productivity cannot be accounted for by increased efficiency of workers. It seems obvious that the worker of today using the tools and methods of 30 or 50 years ago would be no more productive than his counterpart of that time. The increase in modern production, often expressed in terms of man-hours per unit of output, is essentially the product of capital. Through added capital it has been possible to take full advantage of scientific progress, industrial inventions and managerial genius.

Your industry, all industry, needs to dwell more on the productivity of capital. But the rewards of capital in the steel industry have not kept pace with its productivity. It does not appear that much consideration has been given, by the so-called custodians of the public interest, to the sound principle that those who provide the capital should share at least in part in the savings of technological progress, rather than that such savings should be given almost wholly to labor in the form of wages.

According to all three tests of price policy, effects on wide use of products, on good wages, on moderate profits, steel men should be commended for sound thinking. Prices which have been held in check do not need to be brought back into line. But steel prices, like other prices, cannot be insulated from the effects of rising costs. With unchanged prices, increased costs must cut into profits unless there is an offsetting increase in volume of production or in efficiency of labor. It is most unlikely that you will see any significant increase of output above the level of recent months. There is nothing in past experience on which to base hopes for greater efficiency of workers, until prospective slack times generate anxiety about tenure of jobs. And present profits are too thin to withstand any deep inroads from higher costs or dwindling rate of operations.

Future Need for Steel

Along with recent public concern over prices, there has been much speculation about future need for steel to support expected economic activity. In some quarters grave doubts have been expressed about the ability of the industry with its present capacity to supply that need. In such quarters the goal of so-called "full employment" in this country is seen in jeopardy, because projections of speculative curves indicate to their devotees that supplies of steel will be inadequate.

Let me give you a sample of the way such reasoning runs.

Official government agencies (Bureau of Census and Bureau of Labor Statistics) have made estimates that maximum employment in 1950 will require at least 59 million civilian jobs. Their estimates assume that working hours will remain the same as now, and they make due allowance for seasonal variations in employment.

The available labor force in 1950 is expected to be about 62½ million persons.

In order to maintain maximum employment for those numbers, it is figured that industrial production in 1950 may have to average as much as 90% above the 1939 level. It is assumed that there is a constant relationship between value of industrial output and steel consumption. For steel 90% above 1939 would mean just about 100 million tons. From such premises, the economic oracles foresee a critical steel shortage within the next three years, unless your industry moves promptly to bridge the gap.

In some forecasts specific figures of needed expansion are named, such as an additional 15 million tons of ingot capacity, to satisfy a market for 100 million tons of steel by the year 1950. To help justify these appraisals of the near future, appeal is made not only to limitless domestic demands, but also to demands from a whole world clamoring for steel which only this country can supply.

Among those who hold such views, are some of the very persons who were convinced ten years ago that this industry was overbuilt. In their judgment of that time your steel plants had been expanded beyond the needs of a country which was ready for the peaceful repose of economic senescence.

Now they would bring the country back to the stirring vigor of youth, acquiring new industrial stature at home, and boldly faring forth to feed and equip the world.

However, it is not explained precisely how, in their poverty, war-stricken nations, eager as they may be for steel, can find the means to pay for many millions of tons of imports from this country. Nor is it apparent where the inducement to expand steel plants is to be found, if successive wage demands are to have open or tacit official support, while prices are being attacked and profits are viewed with suspicion. As a matter of fact, it is a fair question whether anyone can afford to expand steelmaking capacity at present costs and under existing conditions.

Lesson of Postwar I

Through all this talk of great shortages and pentup demands, there is much that recalls the experience of 27 years ago. It was then that the idea of "accumulated shortages" gained popular acceptance. Then, too, we heard about a steel-starved world. Some prophets of that day saw visions of at least "ten years of unbroken and unparalleled prosperity" for the steel industry. The very next year your furnaces operated at 35% of capacity. On one of your own general programs some of you may have listened to a careful analysis of potential demands, following World War I. I should like to read you its conclusion.

"We arrive at what we believe to be a safe minimum of 200,000,000 gross tons lost to peaceful arts. All or most of this tonnage is likely to be required by the world, in addition to the demand that otherwise would exist.

"This tonnage will exercise a strong supporting influence on the world's markets for many years to come."

Did that happen? It did not. Over the next five years the rate of operations for the whole steel industry average 60% of capacity and only one of the five years topped 75%.

Devastating destruction of men and material wealth is a strange prelude to set the stage for sound and sustained prosperity.

Let me give you a few simple comparisons between some of the conditions which existed after fighting ceased in November, 1918, and your own recent experiences since August, 1945.

At the end of the First World War your industry had an ingot capacity of about 61 million tons. Of that, somewhat more than 15 million was the product of wartime expansion. But actual output in 1919 and 1920 failed to rise to the level of the wartime peak, at 50 million tons, in spite of wild scrambling for steel and prices much higher than those of today. It was not until 1929 that steel production rose high enough to exceed the figure of war-created capacity.

At the end of the Second World War your industry had an ingot capacity of about 95 million tons, again about 15 million tons having been the product of wartime expansion. Subsequent adjustments have reduced the total to about 92 million tons. But actual output in 1946 failed, and in 1947 it gives promise of failing, to rise to the level of wartime peak, at 89 million tons. I shall let each of you answer for himself whether it will again take 11 years, or until 1956, for steel production to rise above the figure of war-created capacity.

The year 1919, like 1946, had its strikes; 1920, like 1947, began with clamor for steel from all sides. Overseas markets were bare, and insistent. Prices were criticized, but no one refused to buy. Everyone wanted more than he could get. Order books carried many duplications of tonnage. Enthusiastic estimates were freely circulated as to building to be done, automobiles to be made and exports to be shipped.

Steel was riding high on a wave of optimism when you met in May of 1920. Steel is riding high as you meet here today. I hope that the similarities may not hold beyond this point.

It was relatively easy a generation ago to readjust rapidly to changing economic currents. That probably is no longer true. New restraints have been created. Rigidities have developed in vital places as in major elements of costs. The industry has had no real experience with the problems of sharply shrinking operations since these new elements have been added. It may even be questioned whether you are free to cope with such problems as you once could.

New Theory of Wages

A strange new theory of wages has evolved, and it seems to be quite widely accepted. Simply stated, it is about as follows: When business is good, wage increases are in order because justified by corporate earnings; when business is poor and earnings are curtailed, wage reductions are not in the interest of the national economy, because they would mean less purchasing power.

Coupled with that theory is the attitude of tightly organized labor; first, that it has a vested right in keeping whatever came its way in time of war emergency and stress of national peril, and second, in its fatal fetish of straight seniority among workers. These new factors put unfamiliar facets on the production, wage, price and profit problems of the immediate future. They are likely to tax the full resources of the ablest managements.

One of the most courageous declarations ever made by man was in the familiar words:

"I am the master of my fate. I am the captain of my soul."

Whether an industry or any of its corporate members has a soul has often been debated. It is a matter which we need not try to settle here. But every industry faces a fate—good or ill. What is the fate of this industry? And is it master of its own fate?

Can anyone answer, without hesitation, as conditions stand today? Who is master, while outside circumstances continue to compel action contrary to the dictates of seasoned judgment?

The fate of your steel industry is the future of this country. Profitable, progressive, strong in steel, this country will remain powerful in economic and political influence. Steel cannot be profitable, progressive and strong if beset by government theorizers, hostile policies, unreasonable labor union pressures and insidious propaganda from high places.

Neither steel, nor any other industry, should have to serve as a political football or specimen for experimentation. In your steel mills horseplay is dangerous and is generally regarded as cause for discipline. In public affairs, however, economic horseplay with the welfare of millions is still a popular and unpenalized pastime.

Communications Excise Repeal Sought

Congress has been asked by the telephone industry to repeal excise levies on communications, Associated Press Washington advices reported on May 21. The excise is levied on telephone, telegraph and other communications services, and its removal would save taxpayers about $400,000,000. Recommendation of the tax cut was made to the House Ways and Means Committee in statements submitted by the American Telephone & Telegraph Company, A. T. & T.'s associated companies, and the United States Independent Telephone Association. The Committee has been seeking suggestions for a general revision of the tax structure, which Chairman Knutson (R., Minn.) has stated should mean substantial tax reductions beyond the current $4,000,000,000 income tax bill. The Committee plans to write the general revisions into law next year. Describing the communications excise as a tax upon a necessary business and social service and not a luxury tax, the telephone industry requested that its repeal be made a part of the 1948 revision.

Sabath Attacks Short Selling

(Continued from page 4)

of short sales from April 15 to May 15; giving a total short interest of 1,314,000 shares, which does not include odd lot short sales aggregating over 60,000 shares in that period.

Consequently, I took the floor yesterday to criticize this growing volume of short sales, and also the lending of customers' stocks by brokers for the purpose of market speculations. Again I demanded that all such manipulations detrimental to the national welfare be prohibited. Last Monday I wired to Emil Schram, the former chairman of the Reconstruction Finance Corporation, now the President of the New York Stock Exchange, as follows:

May 19, 1947.

Mr. Emil Schram,
President, New York Stock Exchange, New York City:

Nearly all corporations show increase in their business and profits above the banner years of 1945 and 1946 and country's income last year was one hundred and sixty-five billion and estimated one hundred and seventy-five billion for 1947, which will be four and one-half times greater than in 1932. Country is generally prosperous and production, employment, crops, and profits are at highest peak and, notwithstanding publicity given out by professional and short-selling groups and a few publicists that business is sloughing off, the record shows that retail sales for the first quarter of 1947 have increased from 5% to 14% throughout the country. Consequently, in view of all these favorable indications, the public cannot understand why the prices of many stocks have been hammered down almost one-half since November while nearly all companies are showing greater profits and paying higher dividends than ever before. I feel that the Board should immediately stop all wash transactions, broker stock loans, and short selling and if that cannot be done then the immediate raising of margins to 100% should be effectuated.

A. J. Sabath,
Member of Congress.

Reply from Schram

Last night I heard over my radio that Mr. Schram had answered me in a strongly worded telegram and this morning I received the following message from him in which he tries to unload some of the blame for the slump in the market on the Federal Reserve System, which has restricted speculative loans on securities to help restrain the inflationary trends, and only with the greatest reluctance, just a short time ago, rescinded the no-margin rule and now permits operations on a 75% margin:

New York, N. Y.

Hon. A. J. Sabath,
Member of Congress,
House Office Building,
Washington, D. C.:

I have your telegram. You have made a serious allegation as to manipulative activities on this exchange. I deny them and I invite you to present any factual proof that you have to us or to the Securities and Exchange Commission which is the Government agency that regulates this market. If you do not have any factual information, I think that you should, in all decency, withdraw what you have said. Reckless statements of the character you have just put out are damaging to our public institutions. Prices on this exchange are established through open transactions which represent the composite judgment of the public. Short selling is rigidly regulated under our rules and those of the Securities and Exchange Commission. Copies of these regulations are available to you. Credit regulations are in the hands of the Board of Governors of the Federal Reserve System. You can, of course, address your complaints on that score to that agency. We feel here that one of the causes of recent weakness in our market is the discriminatory restraint upon loans to millions of people who own securities listed on the national registered exchanges.

Emil Schram,
President, New York Stock Exchange.

To that message I have made the following reply:

May 23, 1947.

Mr. Emil Schram,
President, New York Stock Exchange, New York, N. Y.

Dear Mr. Schram: On May 19 I wired you as follows:

"Nearly all corporations show increase in their business and profits above the banner years of 1945 and 1946, and country's income last year was 165 billion and estimated 175 billion for 1947, which will be four and one-half times greater than in 1932. Country is generally prosperous, and production, employment, crops, and profits are at highest peak, and, notwithstanding publicity given out by professional and short-selling groups and a few publicists that business is sloughing off, the record shows that retail sales for the first quarter of 1947 have increased from 5% to 14% throughout the country. Consequently, in view of all these favorable indications, the public cannot understand why the prices of many stocks have been hammered down almost one-half since November, while nearly all companies are showing greater profits and paying higher dividends than ever before. I feel that the Board should immediately stop all wash transactions, broker stock loans, and short selling, and if that cannot be done, then the immediate raising of margins to 100% should be effectuated.

"A. J. Sabath,
"Member of Congress."

Not receiving a reply to my telegram of May 19, I requested information on short selling from the Securities and Exchange Commission. On May 21 I received partial information from the Commission and on the same day observed a report in the press that short interests from April 15 to May 15 increased 295,000 shares, exclusive of odd lot dealers' sales and public small lot interest sales which confirms my fears that the shorts are again hammering the market with still greater force. Consequently, not hearing from you, I took the floor on May 22 and called attention to the fact that the same manipulations which were responsible for the crash in 1929 are now being reenacted. You resent the allegations in my telegram and ask that I withdraw them. My reply is that I have nothing to withdraw and will elaborate more fully on the situation in the near future. May I ask to what part of my telegram you object or do you have reference to the remarks which I made on the floor?

I am, I assure you, more or less familiar with many of the regulations of the Securities and Exchange Commission and of the New York Stock Exchange. I note your statement that short selling is rigidly regulated, and that the regulations of SEC are available to me. I have those regulations, and also the rules of the stock exchange. I urged the Commission last September to tighten the regulations so as to make it impossible for a few professional traders to hammer down the prices of the shares of some of the most outstanding corporations of America through shrewd manipulation in spite of the rules. Last fall, and now in the first quarter of 1947, all financial reports show unparalleled industrial and business earnings, high employment levels and consequently high purchasing power, the payment of regular dividends, and that American business is in better position than ever before. There is nothing to justify the deep decline in market values.

You state that I should address my complaints to the Federal Reserve System which you claim, is responsible because of restrictions of loans on securities. I shall, of course, as rapidly as time permits, obtain all the information I can from every agency which has any jurisdiction, including the New York Stock Exchange, the Securities and Exchange Commission, and the Federal Reserve System. Pending advices from the Federal Reserve System, I can only conjecture that the restriction on loans is being taken advantage of by the professional sellers.

I feel satisfied that my charge that short selling is detrimental to the best interest of the country and does depress the price of securities is correct and is proven by what has transpired during the past few months. I am not in the habit of damaging public institutions. I merely maintain what all economists are agreed on — that the Stock Exchange is the most conspicuous barometer of business conditions, and any artificial fluctuations strongly affect the public interest.

In this connection, I call upon the Securities and Exchange Commission and the New York Stock Exchange for the names of all short sellers who have traded 100 or more shares since I first raised the issue last September 4, together with their short commitments.

Sincerely yours,
A. J. Sabath,
Member of Congress.

I do not know whether or not Mr. Schram is correct in his criticism of the Federal Reserve System, or whether the Federal Reserve is justified in restricting speculative loans. I can see how limiting such loans might aid short sellers.

Bills Introduced

I have today introduced two bills intended to discourage short selling. The first would produce revenue by placing a 5% transaction tax on each short sale. The second would prohibit the transmission of false information about securities which would, I hope, stop all the war scares aimed at changing the market. The text of the bills follows:

A bill to provide revenue from the short sales of shares of stock, grains, cotton, or other allied agricultural commodities.

Be it enacted, etc., (a) That for the purposes of this act the term "short sale" shall mean sales at, or under the rules and usages of, any stock exchange, board of trade, or similar places, of shares of stock of any corporation, joint-stock company, association, or of grains, cotton, or other allied agricultural commodities of which the seller shall not have ownership or possession, actual or constructive, at the time of such sale.

(b) For the purposes of this act the term "seller" shall mean any individual, association, partnership, or corporation and/or any agent, factor, or broker thereof who sells shares of stock of any corporation, joint-stock company, association, or grains, cotton, or other allied agricultural commodities.

Sec. 2. There shall be levied, assessed, collected, and paid by the seller on each short sale a tax equal to 5% of the amount of said sale, which tax shall, without assessment and without notice, be due and payable to the collector of internal revenue within 10 days after the consummation of such sale.

Sec. 3. Any seller hereunder failing to pay such tax on any such short sale shall be guilty of a felony and upon conviction thereof shall, if a corporation, be punished by a fine or not more than $10,000 for each offense, and all other persons convicted shall be punished by a fine of not more than $5,000 or by imprisonment of not more than two years, or both.

Sec. 4. The Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall make all needful rules and regulations for carrying the provisions of this act into effect.

Sec. 5. This act shall take effect on the 30th day after the date of its approval.

A bill to prohibit communication of false information with respect to securities in certain cases.

Be it enacted, etc., That no person shall transmit through the mails or shall communicate in interstate commerce any false information affecting or tending to affect the price of any security listed on any stock exchange if such person knows such information to be false and transmits or communicates it for the purpose of affecting the price of such security.

Sec. 2. Any person violating Section 1 of this act shall, on conviction thereof, be fined not more than $5,000 or imprisoned not more than three years, or both.

Sec. 3. For the purposes of this act—

(a) "Person" includes a partnership, association, or corporation, as well as an individual.

(b) "Communicate in interstate commerce" means to transmit by any means of communication (other than through the mails) information from one State or the District of Columbia to another State or the District of Columbia.

(c) "Stock exchange" means a regularly established place under the rules of which securities are bought and sold.

(d) "Security listed on the stock exchange" means the stock, debentures, evidences of indebtedness, interest, or ownership of or in any corporation, association, or partnership authorized, under the rules of a stock exchange, to be sold there.

Asks Names of Shorts

I have demanded the names and commitments of all short sellers whether they are professional traders or insiders who might be aiding or cooperating with the shorts, or others; and unless I receive the names and can make them public in a reasonable time I shall introduce next week a resolution directing the SEC and the stock exchange to produce the information so that the public may know the names of these manipulators. It is generally recognized that at least 90% of such sales are made by professional traders. Many are wash sales.

The fact remains, however, that the stock market is regarded by the people of the country, and especially by business and industry and all financial and commercial interests, as the principal barometer of our economic well-being and when market fluctuations are caused artificially by gamblers it is bound to have a bad effect on our prosperity.

I have started this crusade because of my thorough knowledge of the reasons for the 1929 crash and my bitter memory of what followed—the terrible destruction wrought upon the country in the wake of stock market gambling and the slow recovery from those depths. I carried on the same crusade in 1929 and in the years following and my efforts were rewarded by the passage of the Securities and Exchange Act.

As I said yesterday on the floor, had President Hoover and those in power in 1929 heeded my urgent appeals the crash and the panic which followed would have been minimized. Not only did my efforts help bring about the SEC, but I also introduced in 1930 the first bill to establish the Reconstruction Finance Corporation, in the hope not only of saving banks, insurance companies, and railroads but to aid and assist all legitimate companies of the country and to help refinance the victims of the havoc brought about by the crash. Unfortunately, its passage was delayed until 1932, a Presidential campaign year.

I am now compiling my correspondence with President Hoover and his Secretary of the Treasury, his Attorney General, the then Governor of the Federal Reserve Board, and the then President, Vice-President, and Governors of the New York Stock Exchange, together with their replies. A reading of even the abstract of that correspondence should persuade all that my position then was justified and that I am equally justified at this time to continue my effort to put an end to a situation in which a few professionals can every 12 or 15 years destroy the Nation's prosperity and bring on recession and panic. Moreover, that large exchange of correspondence should be of great interest to every American who has the interest of our country at heart, and who resists the efforts of a small coterie to destroy our prosperity for their own selfish profits.

At the same time, I am consulting the Federal Reserve Board to ascertain their position and their reaction, and I am naturally urging the recent amendment changing the so-called 100% margin rule to a 75% margin rule be rescinded and stock trading again be placed on a cash basis. Brokers have been trying for a long time to persuade the Federal Reserve Board of Governors to reduce the margin requirements to 50%, and I for one am sorry they came even halfway.

Senior Margin Clerks Elect Hanratty Pres.

At the regular election meeting of the Senior Margin Clerks' Section of the Association of Stock Exchange Firms, the following officers were elected to serve during the coming year: President, Walter Hanratty, W. E. Burnett & Co.; Vice-President, G. Arthur Behrmann, Hirsch & Co.; Treasurer, Gerald P. Kossmann, W. E. Hutton & Co.; Secretary, Berkley F. Stocker, Abbott, Proctor & Paine; Assistant Secretary, John Hugelheim, Eastman, Dillon & Co.

Nat'l Bronx Bank of N. Y. Opens New Main Office Blg.

The National Bronx Bank of New York has opened its new main office building at 360 East 149th Street, Bronx, N. Y.

Now Proprietor

ST. PAUL, MINN. — Lawrence E. Shaughnessy is now sole proprietor of Park-Shaughnessy & Co., First National Bank Building, Charles R. Park having withdrawn from partnership in the firm.

Henry P. Rosenfeld Forms Own Investment Firm

Henry P. Rosenfeld has formed Henry P. Rosenfeld Co. with offices at 92 Liberty Street, New York City, to engage in the securities business. Mr. Rosenfeld was formerly a partner in S. H. Bennett & Co. and prior thereto was with R. V. Klein & Co.

"Whither, America?"

(Continued from page 7)

endowed by a beneficent Providence.

True, there is yet a great battle to be won, not only abroad, but also here at home.

For 14 years the American people lived under crisis government, moving from one crisis to another crisis, each succeeding one the product of its predecessor, some created by the men in power to enlarge their control over American citizens and industry. Sectional jealousies, class prejudices and suspicions and strife — all foreign to our way of life, were encouraged. It was a period of experimentation and improvisation in government, so much of it dangerous to the American system of representative government. It was a period of government by man, not by law; a period of government encroachment upon business and industry; a period of immunities and privileges granted one class for the sake of political power, and denied to all others; a period in which new instruments of public power were created which, in the words of their author —need I name him? — "could and might provide shackles for the liberties of the people in the hands of another"; a period of prodigious spending with votes its major aim; a long, long period of reckless and wasteful deficit financing on an unprecedented scale, and the accumulation of an enormous public debt which long has been the potential source of an inflation that would destroy our economy; a period of many attacks on constitutional government, some by men in power, some by advocates and preachers of foreign ideologies who would substitute some form of the corporate State for our republican form of representative government.

But, my friends, the long period of license and abuse is drawing to its close. That goal was set by an overwhelming majority of the voters of America last November; a goal toward which the Republican Congress is moving sanely, effectively, surely.

How are we doing? In many ways and on a broad front. First of all the 80th Congress, controlled by the Republicans, put an immediate end to crisis government. It stopped, without any ado, that steady procession of "must" bills, hastily drawn by palace guards and New Deal exploiters and experimenters. No longer are "must" bills dispatched by the White House to Congress with orders to pass them quickly and without question; bills written in the name of an emergency and for no other purpose than to acquire additional powers over business and industry, and over the lives of all American citizens. With the end of "must" legislation came a return to Congressional responsibility under the Constitution, and to the people to initiate and consider legislation. In other words, a return to government by the people through their duly elected representatives in Congress.

Yes, my friends, the days when legislation was initiated by the executive department, contrary to the Constitution, are gone forever, let us hope. This Congress has restored Congressional responsibility, under our basic law, and it is assuming the responsibility forthrightly and effectively in the public welfare.

Personal government, exercised through a sprawling and gigantic bureaucracy created in the years of the New Deal for no other purpose than the capture of vast powers of government to be used for perpetuating the Administration in the seat of authority, has been brought to an end.

Not wholly ended, to be sure, for bureaucracy still exists, very much on its war-swollen and war-bloated basis, and many of the extreme powers delegated to the President over a long period of years still are his.

But the 80th Congress is moving carefully and with as much dispatch as is advisable, to recapture those powers for itself. In doing so it is fulfilling the Republican Party's campaign pledge to eliminate all that portion of the huge bureaucratic machine which is not absolutely essential. **Congress is doing this without impairing a single governmental function, or service.**

I say we are moving toward our objective in many ways and on a very broad field. This field includes economy in government.

We told the voters in our campaign that we would balance the budget; not only balance it but provide a surplus large enough for two specific purposes: gradual retirement of the national debt, and the reduction of taxes. That pledge is being kept. Let us see how.

Under the Congressional Reorganization Act, we are required to place a ceiling on all government expenditures. That is the Congress' new measure, not only for recapturing complete control of the government's purse, but also for bringing sanity and soundness into Federal fiscal matters.

The Budgetary Situation

The House has committed itself to a cut of $6 billions in the President's $37½ billion budget which, nearly two years after the end of the war, is still four times greater than the last full peacetime budget of the Roosevelt era of prodigal and prodigious spending.

Ever since the 80th Congress convened on January 3, New Deal propagandists have been working overtime to sell the country on the idea that this is a do-nothing Congress. Perhaps that is to be expected because they are all New Dealers who want to get back to their downy Federal berths, and also to their pap. The fact that their propaganda is wholly false disturbs them not at all.

As the late Governor Al. Smith would say, "Let's look at the record:"

The 80th Congress convened on January 3. Under the Reorganization Act passed by the preceding Congress we had to spend the first month in reorganizing Congress to conform to that Act. Among other things we had to compress 49 committees into 19 committees, and that in itself was a job, as you can readily appreciate.

In the more than 30 years that I have been a member of Congress I have never seen a session that has moved forward with greater sureness and dispatch. Already, the House has passed 5 appropriation bills in which we have made substantial reductions below the amounts asked for by the President. Let me briefly tell you about them.

We reduced the Interior Appropriation Bill by 45.3%; 5.3% in the Labor-Federal Security Bill; 21.8% in the Treasury-Post Office Bill; 22.2% in a Deficiency Appropriation Bill for 1947; 23.3% in the appropriation bill for the State, Justice and Commerce Departments and the Judiciary.

In addition, we passed H. R. 1, to reduce personal income taxes by 20 and 30%. The House and Senate have each passed a Labor Bill which we believe will adequately meet the needs of the times. In addition to these important measures, we passed the Portal-to-Portal Bill, which has been signed by the President.

We have submitted to the States an amendment to the Constitution limiting a President to two terms —and let me say parenthetically that such a limitation should have been written into the original Constitution. Unfortunately for the country, however, the Founding Fathers evidently acted on the theory that all succeeding presidents would be of the same high calibre as the Father of our country, George Washington.

Another bill passed by Congress, and signed by the President, is the one that suspended the 4¢ per pound import-excise tax on copper. We have also passed legislation dealing with the distribution and pricing of sugar.

Fellow Americans, I ask you if that is not an impressive record? I also ask you if we have not used diligence in fulfilling the pledges that we made to the American people in the late campaign.

It is noteworthy that many of our accomplishments have been made in the face of Presidential opposition. True, the President expressed the hope shortly before the 80th Congress convened that we would be able to work together in the closest harmony. So far, that cooperation has been a one-sided affair. President Truman has opposed income tax reduction and labor legislation; he was not very enthusiastic about the Portal-to-Portal bill which he signed almost at the last minute. In return we have already cut a billion-and-a-half dollars off his swollen budget requests, and before we get through we will have lopped off at least $4 billion.

It has been said that we must choose between tax reduction and debt reduction and the people have been told that it is one thing or the other. The facts are otherwise. We can have both tax reduction and debt reduction, and we shall have a better prospect of continuing to make payments on the debt if we reduce taxes now than if we retain high tax rates and heavy tax burdens simply to make a very large payment on the debt in one year.

Our ability to redeem the debt depends upon the productivity of our tax system, and that, in turn, depends upon the national income. By reducing the tax burden we are more likely to see the national income remain at a high level than we are if we continue the present tax burden.

Severe, crushing tax rates do not necessarily produce the greatest revenue. There is such a thing as starving the golden egg-laying goose, as well as killing her outright. At the current level of national income, the net receipts for the fiscal year 1948 may be conservatively estimated at $41.5 billion under existing tax rates. Even with a legislative budget ceiling of $32¼ billion, there would be a margin of $9¼ billion, to be apportioned between tax reduction and debt reduction in the fiscal year 1948. The estimated revenue loss under H. R. 1 would be approximately $4 billion, which would leave $5 billion or more for application on the debt.

Roosevelt Was A Piker

When it comes to spending there is little to choose from between Mr. Truman and Mr. Roosevelt, but if I were to award an accolade it would have to go to Mr. Truman because he has made Roosevelt look like a piker when it comes to spending. I base that assertion on the fact that two years after V-J Day he sends a peacetime budget to Congress that is 400% bigger than any peacetime budget ever submitted by Mr. Roosevelt.

The President has insisted, again and again, that his estimate of $37.5 billion is the rock-bottom figure for the fiscal year 1948. It is enlightening to compare this record of decline from the war peak with that established after the first World War. In that earlier war the maximum Federal expenditure was made in the fiscal year 1919, when the total was $18.5 billion. In the fiscal year 1920 the total was $6.4 billion, in 1921 it was $5.1 billion, and in 1922 it was $3.4 billion. In the third fiscal year after the peak of spending in World War I, the Federal budget was down to 18.3% of the peak total. In the third fiscal year after the maximum expenditure of World War II, the expenditure proposed by the President's budget is about 37.5% of the war peak. Even after we make due allowance for all the reasons as to why we cannot have an $18 billion budget in 1948, it is still far from clear why we must spend $37½ billion.

Let me return to the budget for a few moments:

I wish to say to you, and I say it advisedly, that closely linked to a balanced budget is tax relief. That, too, was a campaign promise made by the Republican Party and it is well on the way to fulfillment. It was my privilege, as Chairman of the Ways and Means Committee, to introduce a tax-reduction bill—H. R. 1, —on the very day that the 80th Congress convened in January.

That bill, which provided for a 30% cut in the very lowest brackets, and a 20% cut for most of the remaining taxpayers, has passed the House, and the Senate Finance Committee has just concluded hearings on it, with some very interesting results not at all to the liking of the Administration, which prefers to wait until just before the election of 1948 to give the people any tax relief and then be in position, it hopes, to do the relief work—a very pleasant job, indeed, on the eve of a Presidential election.

Tax Relief

In the course of the hearings on H. R. 1, both before the Ways and Means Committee and the Senate Finance Committee, there was strong pressure to give all, or a large proportion of the relief, to the small income groups. The members of both committees were fully aware of the fact that the income tax is a heavy burden upon those with small incomes, as, indeed, it is upon all taxpayers, whatever their income may be.

The bill, as passed by the House, recognized the plight of the small income recipient by providing a 30% reduction for taxable incomes up to $1,000 and a reduction ranging down from 30% to 20% in a notch area up to $1,396. Out of the total of $3,769 million tax reduction estimated as the effect of the House Bill, $724 million is attributable to the 30% provision, and $520 million to the notch area.

Thus the persons with the smallest incomes would get a total of $1,224 million, or almost ⅓ of the entire amount of tax reduction which the bill provides. The rate adjustment at the bottom of the income scale also reaches a large proportion of all income taxpayers.

The Treasury has estimated that 24,847,200 persons would get the benefit of the full 30% reduction, and 8,511,100 more would be in the notch area with taxable income between $1,000 and $1,396.

From this it is clear that the measure does not entirely neglect the small incomes. In fact, 61.7% of the total tax reduction would be taken by those in the net income classes under $5,000. But it is also clear that the entire reduction cannot be given in the small income groups if we are to have regard for the welfare of the whole economy.

I have already said that one of our most important concerns must be the maintenance of jobs, income, and well-being for the many by preserving and promoting the economic motives and incentives of the few. The average person who receives a small income does not create the job through which he gets that income. Someone else has made that job possible, through his decision to provide capital, or assume a business risk, or taken on managerial responsibilities. Any plan of tax revision which does not give at least proportionate recognition to this basic reality of our economic system would be gravely deficient.

It was not very pleasing to the Administration, for example, to have John W. Hanes, former Under Secretary of the Treasury under Mr. Roosevelt, to not only give firm support to tax-reduction now, but show, in a very thorough and sound analysis of the revenue situation, that the Administration was wrong in its estimates of revenue.

Neither was it very pleasant to the President, nor to the Secretary of the Treasury, to have Mr. Hanes declare that the present tax burden was very largely responsible for the great increase in prices, **something the President has been blaming the Republican policies for.**

President Truman tells us that he is against tax reduction now because it would be inflationary. He doesn't believe in giving the people too much money to spend. I wonder how he squares that contention with his constant advocacy of higher and yet higher wages.

Commenting upon the President's position, Mr. Hanes, who is a North Carolina Democrat, declared:

"It is true the people will have more to spend if their taxes are cut. On the other hand, the Government will have less to spend by the same amount. People will be spending their own money for a change, instead of having the Government spend it for them."

When Mr. Hanes, for whose fairness and understanding I have a very high regard, appeared before the Ways and Means Committee in support of tax reduction, he compared our economy to a plane that was so heavily laden that it could not take off from the ground, and it was not until the load had been lightened that it could do so. To me, that was a perfect simile as we know it is true.

Last week a Minnesota business man wrote me and expressed the hope that the Senate would take early and favorable action on tax-reduction. In his letter he quoted from a correspondent living in California, and I want to quote to you what he said:

"I agree with you that taxes are too high. As the creator of the largest enterprise in California south of Los Angeles, the control of which I sold because of taxes, I cannot take the chance of creating further enterprises under a system that would put less than 1% annually in my pocket, if I am successful, and take the risk of losing up to 100%. Informed well-to-do people will not now invest in new enterprises or expansions of old ones and that will bring a recession that will force a change."

No Incentive

In my opinion the California businessman has put his finger on the weak link in our tax structure. So long as the Government takes most of the profits there can be little or no incentive for expanding existing industries, or launching new undertakings, both of which would make more jobs, greater production, lower prices, and an expanded market for raw materials.

I am one of those old-fashioned Americans who believes that in order to have a sound and expanding economy all investments should return at least 5 or 6% over and above taxes, costs of operation and depreciation. That should be true of the farm, the shop, the factory, the railroad, and all other activities.

On Monday the Ways and Means Committee began hearings on a general revision of the revenue code which will probably continue for eight or ten weeks. Revision of the Code is badly

needed and long overdue. Under the New Deal we enacted 18 tax laws, each one slapped on top of the other until the whole thing looks like a suitcase that has traveled around the world. It is our purpose, so far as my time will permit, to iron out all wrinkles, remove all bugs, and, incidentally, give some more tax relief next year.

Already Canada and the United Kingdom have made substantial reductions in their personal tax rates but every effort by Congress to do likewise is met by implacable opposition by the spenders and that goes for the President and on down the line because they realize the less they collect the less they will have to spend.

We Republicans promised the voters, too, that we would balance the scales between labor and industry. That promise is also being fulfilled. It is a major part of our program. The House first passed its labor reform bill, which was a somewhat stricter bill than the one passed by the Senate.

Out of the conference committee will come a sound bill which will largely end the abuses and evils which have plagued industry and the public for altogether too many years; abuses and evils which are the inevitable result of granting one group within the population immunities and privileges, under the law, which are denied to all other groups.

Not one of labor's legitimate rights will be denied by the bill which the Republican Congress will enact. Its right to strike for legitimate purposes will be preserved; so will its right to free collective bargaining by agents of its own choosing. But the bill, if it becomes law, will place some much needed restrictions and curbs upon union labor leaders—all intended for no other purpose than to protect the public against widespread abuses of power and the evils inherent in the exercise of that power. Incidentally, it will also return to the rank and file of labor control of their union affairs.

The House bill strikes at huge labor monopolies by banning industry-wide bargaining except on a locally restricted basis. It likewise would prevent labor union practices in restraint of trade by applying the anti-trust acts against them. The Senate bill contains no such provisions.

It seems to me that, in this respect, the House bill is much better, for its provisions are aimed at the greatest of the evils; namely, industry - wide, sometimes national, strikes which are primarily against the general welfare.

Strikes such as, for example, the railroad tieup of a year ago, John L. Lewis' several coal strikes, the New York truck strike, the Pittsburgh power strike, all of which seriously threatened paralysis of American industry and endangered the health and security of the nation.

Both bills ban the closed shop, and this provision is in the interests of the worker himself, for such an inhibition has no other purpose than to preserve the individual's right to work when and how he pleases.

It destroys much of the union's power over the worker's freedom—a power revealed, in its sinister form, when a worker is compelled to join a union despite the fact that he may not want to, and when his right to work is curbed by forcing him to strike without his consent.

Both bills would make labor's responsibility for successful collective-bargaining co-equal with that of the employers. In other words, they would compel the union to bargain in good faith, as the Wagner Act has compelled the employer alone always to do. Moreover, both bills would force a union to live up to the letter of its contract, something the Labor Relations Board has not enforced, except in very rare cases, under the Wagner Act. There have been altogether too many jurisdictional strikes called by one union to force an employer to violate a contract with another union, with disastrous consequences to our economy.

These, then, are the evils the Republican Congress seeks to cure, unless, of course, the President vetoes the bill, as many predict he will do. If he does, he must answer to the electorate for such reforms were unquestionably included in the people's mandate of last November.

These, my friends, are major movements in our pledge of 1946, but by no means at all. There is, for example, the very serious matter of inflation, the onus of which the President seeks to place upon the Republicans. That is one of his purposes. The other is to prevent any reduction in taxes until next year. Both are extremely political, with an eye on the 1948 plebiscite. Mr. Truman's loud protestations that his tax policy is based upon his fight against inflation does not obscure its political aspects which, indeed, are uppermost.

Truman's True Theme Song

It is Mr. Truman's theme song that high prices inevitably will cause a business depression, and he places the burden for cutting them on industry. "A group saw fit to sabotage price control and represented to the public that prices would come down in a free market," he said. "This has not taken place," he continued.

Now, the President, banking upon the public's short memory, is overlooking several very important facts. He mentions none of the very serious mistakes the Administration made after the war ended. His experts, you will recall, were wrong in their estimates of postwar unemployment. They said it would assume enormous proportions in a few months. Unless much higher wages were paid, they argued, this unemployment would spread.

Mr. Truman, himself, led a concerted move to greatly increase wages, and he succeeded far beyond anything business and industry imagined: so far, indeed, that he forced costs of production to soar so high that price increases had to follow on a comparable basis. It was the President, more than anyone else, who gave great impetus to the forces of inflation. He did it deliberately, too; just as, within recent weeks, he deliberately embarked upon another program of increasing wages.

Several large industries already have granted substantial boosts—granted them at the very time the people were complaining more than ever about the high cost of living. These wage boosts certainly are not calculated to make price reductions possible.

Now, as to taxes, what is the President's purpose? Certainly, it has been shown, again and again, that the Treasury's revenues are great enough to make tax relief possible; not only possible, but necessary, if we are to build a solid foundation for our future economy.

Mr. Truman's own estimates of increased revenues, which are 3½ billions lower than those of others, are high enough to permit a 20 to 30% reduction in taxes and still leave a substantial sum to apply on the public debt. But Mr. Truman says he will support a tax cut "at the proper time." Of course, the most propitious time is just before a presidential election.

Can it be, then, my friends, that Mr. Truman is using his vast fiscal powers to bring about a business recession this year? Certainly, as Mr. Hanes pointed out to the Senate Committee, the burdensome taxes are a major cause of high prices. Their continuance, therefore, certainly would have a most depressing effect on business and industry, for so long as they are continued, so long will they restrict the use of new capital, delay elimination of obsolescence and especially expansion and development of new products.

In other words, these burdensome taxes, in the months ahead, would be extremely deflationary. A business recession would provide the Administration with a very effective political weapon. Tax reduction, shortly before election, would complete the campaign program. Of course, the ugly word "inflation" wouldn't be used then; "reflation" would be the battle cry. It sounds much nicer, much safer.

Fellow Americans: I protest vigorously against this continual playing of politics with our economy. In one breath the Administration tells us that wages must be raised in order to meet the increase in cost of living, and in the next breath the President tells us that we must not lower taxes now because to do so would give the people too much money to spend and that would be inflationary. It must be a fine thing to be able to reason so conveniently but it is hard on our economy.

The American people demand tax reduction and they want it now, not next year. Personally, I see no good reason why we shouldn't have tax reduction in **1947, and more tax reduction in 1948.** Certainly, that is our program.

Away With Double Taxation

I would also like to do away with double taxation, an iniquity that was forced on us by the New Deal in the early 30's. I have yet to meet the man who can give me a satisfactory explanation for taxing the earnings of industry and later taxing the same earnings when they are distributed to the stockholders. Even the United Kingdom, with its great need for money, has never stooped so low. The only difference between the man who first conceived double taxation and Jesse James is that Jesse rode a horse.

There are certain fixed obligations that are incumbent upon the Government and which cannot be avoided. On the other hand, the people as a whole also have certain obligations toward the Government. I have never conceded it to be the duty of the Federal Government to act as a wet nurse to all and sundry. I strongly feel that the American people must stop looking to Washington to do for them the things they should do for themselves.

America was not built and made great by Washington bureaucrats and Government subsidies. Rather, this great and glorious country is the product of industry, freedom, opportunity and personal initiative.

The brave men and women of the East, who loaded all their worldly possessions into covered wagons and turned their faces resolutely and hopefully to the setting sun, braving the hidden dangers of the forests; who in 150 years transformed an empire wilderness into the richest empire on earth,—they were the ones who built America.

Not only did they wrest the empire west of the mountains from the hostile Indians; they built roads and railroads, opened up farms, established schools and churches, and created thousands of modern and prosperous cities, villages and hamlets where the standard of living is so high that it is the envy of all the world.

When the early pioneers set out on that great migration they cut all ties with the old home, and what they did, and what they accomplished, was done without government subsidies, government controls, or even governmental planning. In short, they gladly underwent the tribulations and the trials of their brave and hardy forefathers, who had landed on Plymouth Rock two centuries before.

While their worldly possessions were few, they had boundless faith in the future of America, and a supreme confidence in God and in themselves. **That is what America needs today.**

They demonstrated to an admiring world what the American people can do if but given a free hand.

Bureaucracy

Today that area which we proudly call the "bread and butter basket of the world" hold as many opportunities as it ever did, but in order to bring these opportunities into fruition we must be released from the stranglehold in which we are held by a grasping and thoroughly selfish bureaucracy. The venturesome spirit which made America what it is now lies dormant, because the incentive to branch out has been repressed and suppressed by excessive taxation and oppressive regulations. The big job before Congress, as I see it, lies in reawakening the spirit **that was America in our earlier days,** and this can only be done by permitting the American people to retain for themselves a fair share of the wealth that they create.

Fellow Americans, I have boundless confidence in the future, and in the destiny of America.

I believe we now stand on the threshold of the most wonderful era in all the history of mankind.

Let us here and now resolve to break the shackles that a bureaucratic octopus has fastened upon us. Let us recognize the necessity of mutual sacrifice for the realization of the "last best hope on earth"—the freedom and dignity of the individual man.

Let us also resolve that while Washington shall have every dollar that is needed for the necessary conduct of government, and for our national security, there shall not be one penny for extravagance and waste.

America no longer has money to throw away. **Henceforth, let us think of America First.** Then we will again become a happy and prosperous people. Let us ever remember that only a prosperous America can help rebuild a war-devastated world. Indeed, a solvent America is necessary to the rebuilding of that world.

Perhaps I can best illustrate what I have in mind by quoting an Englishman, Herbert Casson, of London, who has the following to say:

PRIVATE ENTERPRISE

The power to choose
the work I do,
To grow and have the
larger view,
To know and feel
that I am free,
To stand erect, not
bow the knee,
To be no chattel of
the state,
To be the master of
my fate,
To dare, to risk, to
lose, to win,
To make my own
career begin,
To serve the world in
my own way,
To gain in wisdom,
day by day,
With hope and zest
to climb, to rise,
I call that private
enterprise.

How to Link Stockholders and Management

(Continued from page 11)

in their battles for equitable treatment by our political overlords, designed to encourage resumption of the flow of ordinary people's savings into employment-providing investment?

Small Stockholder Representation

For example, whenever a wealthy individual or institution acquires a large stock holding in any corporation, representation on the board of directors usually is promptly accorded.

Although the indisputable fact is that almost every corporation is most largely owned by small investors, how often is a typical representative of them elected a director? Heretofore, hardly ever. This situation should be changed. It is not uncommon today for companies to have more stockholders than employees. This is true of such representative corporations as American Telephone & Telegraph, General Motors, Standard Oil of New Jersey, Consolidated Edison of New York and almost every other leading public utility, du Pont, General Electric and practically every railway company.

I am inclined to think the day will come when employees of a company will also become insistent upon having one of their number admitted to the board of directors.

In Britain there are what are called "professional directors." These men, usually experienced in business, are regarded as watchdogs for the people owning the enterprise, not subservient to the management. Perhaps the election of such independent, paid directors would do something to create among rank-and-file stockholders the feeling that their interests were thus being further safeguarded.

Employee Relations

Moreover, would it not strengthen managements in their dealings with labor leaders, as well as in hearings and conferences at Washington, if each corporation were to organize a Stockholders' Advisory Committee, to be drawn into the picture whenever crucial labor negotiations or crucial legislative proposals arose? The League is prepared to cooperate in achieving this. Various governmental departments and agencies, as well as the President, have set up Advisory Committees.

Although almost every corporation today has an executive, usually a vice-president, assigned to handle employee relations, only a small percentage of corporations have thus far awakened to the need for engaging an executive to devote his time and talents primarily to handling stockholder relations — not heretofore adequately recognized as a vital part of "public relations."

Neither managements nor the SEC should erect needless barriers against the embodying of proposed resolutions in annual proxy statements. It should be made more feasible than it is today for stockholders of any given company to get into touch with one another and sound out their sentiments, their ideas. Access to proxy statements with reasonable resolutions, should be opened up.

Stockholders' Meetings

Maybe not a major matter, but the fact is that widespread dissatisfaction prevails among stockholders over the widely prevalent practice of holding annual meetings in out-of-the-way, inaccessible places.

The example now being set by a few enlightened managements, of holding stockholders' meetings in various regions, should be promptly and widely followed.

These suggestions, totally inadequate, are offered in humility, but in all earnestness. A lot more than has been done must be done to bring our millions of stockholders more effectively into our economic picture, to marshal articulation commensurate with their fundamentally important place in the functioning of our American Way of Life.

Let all of us get busy!

Economic Control and Political Freedom

(Continued from page 13)

for its constructive working sessions. I am certain that these ideas are as provocative as any before us today. They put aside as mere surface disturbances such contemporary matters as prices and wages and inflation and depression, for here is something into which we can get our teeth. Say, rather, that here is something advancing squarely up the road to meet us We have no option to turn away or we shall lose our right upon the road. White, who posed the question, and Roosevelt, who did not answer it, are gone. In any case their personalities served principally to dramatize this inquiry and the answer lies in action which is yet to be taken.

Officially, on the great books of international affairs, the Fascists have been defeated in the greatest conflict of history. Officially and unofficially, the Communists seem to be very with us. However, I have a strong suspicion that those violent labels, Fascism and Communism, in the modern maze of ideology, are already beginning to fade, just as I suspect that in the minds of a very great number of our countrymen the phrase "Free Enterprise" and the phrase "The American Way of Life," both of which have been so often upon our tongues, have lost much of their original sharpness and distinction. When we find ourselves explaining, repeatedly and desperately and shrilly, what free enterprise is, to men whose job and home and clothes and bank account and insurance policy and automobile constitute the handiest current exhibit of the enterprise system, then there is something wrong. For all I know, Mr. Stalin and his associates may be faced with a similar problem. Russia is a vast and populous country, and it may well be that the official proponent and protagonists of Marxism find that today they are devoting an annoying amount of time to explaining and insisting upon the virtues of their particular system. When the market is short on works, in any country, it has to be correspondingly long on words, and the words do get a little fuzzy from too much use.

Cortrast of Fascism-Communism and the Democratic System

But long after Fascism and Communism have stopped ringing alarms along our spine we will, I believe, remember one thing about them; they are Political-Economic Systems which above all else subordinate the individual to the state, in direct contrast to the Democratic System which we have evolved, in which government is the creature and the servant of the individual.

Therefore, I do not believe that William Allen White was merely indulging in Kansas Republican politicking when he pointed out the parallel between Fascism and Communism on the one hand, and Franklin Roosevelt's fondness for socialization of capital on the other. If you have read White, you will know that he was enthusiastic over many of the social and economic reforms introduced by the New Deal, but that he realized they were being achieved only by paying a price in terms of government-controlled economy, and that, as he said, "Political Liberties always go down when economic liberty is circumscribed."

In somewhat roundabout fashion, then, have we come up to this situation in our national life which seems to me to be so very important to all of us alike,—management and labor, vendor and vendee, public servant and private enterpriser. It is this: Are we to purchase social stability, a more equitable distribution of wealth, and insurance against the hazards of unemployment, sickness and other unhappy by-products of a laissez faire economy, by giving up a large chunk of our traditional freedom and independence in favor of a planned and controlled economy—or are we not? Is there no other solution? And finally, have we really any choice, as business men, or has the decision already been taken? Let us see if we cannot contrive some answers to these things.

Years of the New Deal

I believe that most of us have arrived at that point where we can examine without prejudice and without hysteria—either pro or con—those dozen or more years of our national life during which the philosophy of the New Deal was dominant. I am certainly not concerned here with partisan political aspects, or with colorful personalities, but with that fundamental philosophy which centers about the pungent expression—the **common good.** No man wants to stand up and say that he is against the common good, because that would be taking a public stand against the angels. And yet, when we set out to concern ourselves as government, with such a yardstick, and put it forth as the be-all and end-all of the administration of human affairs, then we cannot be blamed for having certain reservations. That is because the expression is so very exclusive in its nature. The things we do for the common good are done for everybody, whether they deserve by their own efforts to have them done or not, regardless of whether they may have earned such consideration through their own efforts, and regardless of whether or not they may have actually sabotaged the industry, the thrift, the ambition, and the honesty of other men. Whenever we regulate the conduct and the opportunities of all men, in the interests of all men, we are bound to restrain liberty and freedom of action.

Where we run into trouble is best illustrated by two examples. If we put a proved criminal in jail to protect the community, we definitely restrain his liberty and freedom of action—but we say that by his conduct he has forfeited his freedom, and society approves. On the other hand, if we impose upon buiness a system of price and production controls, or if we legislate a closed shop, or if we so distort our system of taxation as to confiscate all but a fraction of the earnings of an individual or a company, then again we have definitely restrained liberty and freedom of action. If society approves of such a course, it is a society that is not quite as unanimous in its convictions, and the people that get hurt are somewhat more numerous. Also they are not adjudicated criminals. They are a minority, perhaps, but a minority that has attained its unenviable position by the legitimate exercise of those opportunities which it is our democratic boast that we guarantee to every citizen. So the situation is not quite the same.

This is not to hold, for a moment, that the principle is wrong and should be discarded. It is obviously to the interest of the more successful and the more efficient—whether they be businesses or individuals — that misfortune and insecurity and the circumstances which produce them should be alleviated by an intelligent redistribution of social remedies and preventatives. That I believe to be the foundation stone of the political and economic philosophy which was termed the New Deal. In practice it suffered from its excesses of zeal, just as unrestricted free enterprise, before it, produced results which were unhappy.

There was nothing radically new in this for the United States. We have from the beginning had with us the basic conflict between the fundamental rights guaranteed to the individual by the Constitution and the exercise of the police power by states and their political subdivisions. Every zoning ordinance, every public health provision, every licensing code, every exercise of emergency powers, has carried with it restraint on the individual. The opinions of our courts for generations have repeatedly blossomed with that familiar condoning phrase "For reasons of public policy." But what happened, over those amazing dozen years, was a bewildering switch. What began as a program to protect and succor the unfortunate individuals — the famous submerged one-third—from the slings and arrows of outrageous fortune, became the acknowledged program of central government. The other two-thirds of our economy, the two-thirds that really made the wheels go around, had no place to go for relief. They were disfranchised.

Reaction Against Excesses and Abuses

Now, in 1947, we are again reacting against excesses and abuses. In spite of the clamor that is being raised against the present tide of events by those who have been swept aside in their turn, by the Henry Wallaces, by The Recalcitrants of the Left, by the Bureau-Less Bureaucrats, by the Bleeding Hearts and the Fanatics of the Fringe,—in spite of all these distractions which will be whipped into frantic foam by an approaching Presidential Election, I believe there is a strong and wholesome desire on the part of plain citizens to seek a sensible and moderate solution. These are the men and women who sincerely believe in acting for the common good, but they are men and women who also believe in political freedom. You will find them in organized labor, in scientific and artistic circles, in public service, and definitely in such industry groups as the American Iron and Steel Institute. They are the leaders, of course. Nothing was ever accomplished in human affairs except by leaders, those people whose chemical reactions in times of stress and confusion impel them to action.

Any man is a fool who ventures a platform opinion on what people are thinking and what course they will probably elect to follow, but simple awareness of this fact seldom acts as a deterrent. Who am I, after all, to hold my peace when presented with such a splendid opportunity to think out loud? Let us look quickly at just a few of the signs. You may have read a few weeks ago, as I did, some statements made to the press by the former Governor of Minnesota, Mr. Harold E. Stassen, on his return from Europe. The mention of Mr. Stassen by the way, suggests an example of how difficult it must be, even in the one world of the United Nations, for men on opposite sides of the earth to understand each other. Citizen of the Soviet Union, or a citizen of Czechoslovakia, for example, who had faithfully read American newspapers and periodicals even as you and I, must be a little puzzled to find that Mr. Stassen is the only man of either party in the United States who confesses that he is a candidate for the Presidency. However, that may be, I was interested in these two things:

"It is my feeling," he said, "That the Communists and Traditional Socialists of Europe do not realize the extent to which we have corrected the evils of Capitalism in America. They do not realize the extent to which workers have won for themselves new rights and improved shares in the fruits of the Capitalistic System and the manner in which security and welfare programs have been developed."

To me this read more as a message to the leftist dissidents of our own country than to any one abroad. The implication is, and I join in it, that the workers in America **do** know, and can be trusted to act on their knowledge when the chips are down. Mr. Stassen then declared that in his opinion the President should take the initiative in conferring with Republican Congressional Leaders to tell them what labor legislation he would or would not sign, saying: "There is a responsibility to attain results for the American people in labor legislation that goes far beyond any of the political maneuvering that the situation is full of."

So, in place of my own opinion, I am playing safe by passing on to you, as a piece of evidence, the opinions of another with which I find it easy to agree. Just to prove, however, that I don't agree with everything I hear, I offer this bit of assertion which came to me out of the ether the other night, on another subject. We have had slants on the fruits of Capitalism, and on labor legislation; here is one on prices and the economy. For every one who read Mr. Stassen's words, how many do you suppose heard and believed this, from the lips of a radio commentator on New York Station WEVD: "Strikes on the whole will be no peril to our economic problem! A greater peril to our stable economy is the price structure which the President warned is too high. If current wage increases can be fashioned out of inflated profits, a ceiling can be erected. If, however, as General Electric President (actually he said 'General Motors') Charles E. Wilson today indicated, these increases will be passed on to the consumer, there is a danger that the structure will snap."

When Lower Prices Should Come

When somebody down the street takes a whack at your children there is a great temptation usually to go out and whack him, but I will resist the temptation at this point to justify before this group the wage and price policy of the General Electric Company. I will only say that I subscribe heartily to the unanimous resolution of the United States Chamber of Commerce, that business is obligated to lower prices where and when business costs permit—and not before. We can live with that, and we will.

If you can forget for the moment the precise subject matter of the three statements I have quoted to you, you will be able to find in them, however, a common factor—a preoccupation with action for the common good of which we spoke earlier. There is implicit in Mr. Stassen's remarks, and even in those of my friend at WEVD, a plea for action on an informed level, free from the embarrassing encumbrances of politics and domestic Socialism.

I would like to return to the questions asked in the beginning, which went something like this: Must we, as citizens, purchase social reform and economic stability at the price of political freedom, and are we willing to do so? Second, is there any other way to do it? And, finally, does business have any choice in the matter? My own answer is no to the first question; yes, perhaps to the second; and yes to the last. It breaks down something like this. I will not believe that Americans will consciously and willingly elect to install a planned economy when they have before them ample evidence of the failure of Socialism, Communism, Fascism, Totalitarianism and every other kind of system **except** Capitalism in every other country in the world. We have ourselves tasted the preliminary and conditioning doses of planned economy, and after a decent interval have regurgitated them, at the polls and elsewhere.

Yet, I certainly do not think that we want to turn our faces away from the problems of inflation, from the tragic effects of depression and unemployment, from the real perils of unregulated industrial disorders, from the benefits of constructive unionism, from developing programs in the fields of medicine and hospitalization, from the dangers of race discrimination, from the question of universal military service, from the regulation of atomic energy projects, from financial and investment safeguards, from resettlement and housing and agricultural programs, from any of the things, in fact, which will help more Americans to live longer, healthier, safer, more comfortable, more efficient, more prosperous, and more useful lives. It seems as though we want to eat our cake—and have it.

Where, then, does the rub come? Does it not come, in our experience and that of other nations, in the inexpertness, in the irresponsibility, and finally in the tyranny which have characterized governmental, or political, operation of the economic machine? The United States, through the efforts of its private citizens and private businesses, has indeed gone far to increase the worth, the economic development, the intellectual stature, and the happiness of the average man. No one can deny that seriously Our material achievements are well-known, and our moral and intellectual achievements have kept pace. It was only when we came to maturity, when the last physical frontiers had been breached, that we slowly came to be aware of social maladjustments. Because we were a product of Capitalism and of free private enterprise, that system has properly had to bear the blame for the things that were wrong with the country. No one denies that. The Roosevelt arithmetic may have been more spectacular than accurate, but for the sake of argument we can admit the existence of an ill-fed, ill-housed, and ill-clothed third of our population. It might also have been justly pointed out that we had, in the other two-thirds, a material achievement unmatched elsewhere in the world, and that this had been accomplished by private initiative, not by pump-priming.

We need government in the modern economic picture, just as we need it in science, in public health, in conservation. But government's participation must be by law, not by executive whim. Government must participate as an enforcer, as a regulator, and not as a petty tyrant. If a dispute concerns ten men, and nine of them are ignorant but penniless, and one of them is both right and wealthy, we must have a government with guts enough to decide the issue on its merits, not just able to count the votes.

For the faults of government, private enterprise has only itself to blame. That is why I feel that it is possible for us to have economic and social stability without losing our political freedom, and why I feel that whether we have that desirable result or not is largely up to us.

Government must become expert, particularly in its legislative branch, where its expertness up to now has largely been either a matter of vocational accident or of unusual devotion on the part of a legislator. In our Senators and Representatives, encumbered as they are with the almost infinite detail of representative office and political activity, we have a right to expect only the virtues of common sense, fairness, and respect for law. Beyond that, it seems to me, private citizens owe them a duty to supply through some proper machinery expert advice and counsel in special fields. The Lobbyist, like the

Monopolist, is in odor; nevertheless there is something to be said for him. Perhaps he needs to be brought out into the open, encouraged, recognized, and patronized. Already congressional reorganization of committees and responsibilities amounts to a step in the right direction.

I should like to see our great industrial associations and professional groups, including labor, tackle this problem and perhaps put into its solution, into the organizing of expert advisory panels to which Congress might confidently turn, at least as much energy as they now devote to their own affairs and to propaganda. Not only manufacturing, but every segment of our economy, should make the same effort. Manufacturing might show the way. It is important, too, that the economy should support such an effort itself, as part of the job of exercising its citizenship rights, because we are not interested here in building up new hordes of government appointees, but at least incidentally in relieving the city on the Potomac of some of its budget headaches.

If this campaign were intelligently prosecuted, it might logically result in the sensible reorganization of some existing Federal departments to make them more functional, other than the proposed unification of the Navy and War Departments. I am thinking here, as you are, of Commerce and Labor and Agriculture and Finance. There is no logic in their archaic isolation today and there is no logic in that hoary and hypocritical institution of a Postmaster-General as a member of the President's Cabinet. For these reasons I say that perhaps it is possible for us to develop economic control without giving up political freedom, and most definitely there is something that business can do about it.

We have had abortive and stillborn attempts in isolated cases to bring together the various interested segments of our economy and have them sit down together over a major problem. The unhappy labor-management conference was one such attempt. But the horse had already been stolen and the fat was in the fire. Those attending the conference had already been committed to a course of action by events beyond their control. But if the mechanism of the conference had been a permanent one, available for deliberation and consultation in advance, it might have accomplished something.

It seems to me that there are two things substantially wrong in our present Federal Department set-up. To make them right may take a long time and a lot of hard thinking, but the results would be worth it. For one thing, we need to have business, labor, agriculture, and finance together under the same tent, not existing as separate sideshows in their present outmoded and unreal state, fighting each other on political and economic issues, fighting each other and the Congress on appropriations. For the second thing that is wrong, the vast amount of statistics, services, and expert knowledges of these departments are almost exclusively the property of the Executive Branch of the Government, and are not available to the Congress to help it intelligently to write the laws that it must write. Traditionally such an alignment was proper; the Secretaries were close Presidential Adivors, and an extension of his executive powers. But in their modern form they have become much more, and their machinery and their knowledge should be readily and continually available to assist the Legislative Branch just as it should be readily and continually in liaison with the segments of the economy which the departments organically represent. No matter what protestations to the contrary we may hear, that is just not the case today. Only by the devices of invitation, subpoena, and investigation do these two arms of the Government come together, and more often than not at arms length. It is vital that we should contrive, in some form, a continuous conference, not just an emergency conference, at which agriculture, labor, and finance — under the aegis of the Department of Commerce—will sit, and at which the non-governmental leaders in business, agriculture, and labor will sit, and at which table there will also sit representatives of the proper committees of the House and Senate. Of course it will be advisory in nature, and unofficial, but extremely practical and helpful.

And lest any one should become alarmed and say that what we suggest bears a close resemblance to the Fascist corporate State, let us emphasize the one supreme difference—the machinery of Government, the classic division of powers under the Constitution—is untouched. Business and agriculture and labor come to such a table as private citizens engaged in intelligent public service, as private citizens with a paramount interest in seeing that their Government does a good job. They come at their own expense, on their own time.

And unless business does get off its horse and go to work on this job we will continue to have expensive and tragic tinkering which, as the acknowledged leader in international affairs, we can no longer afford. I refer to tinkering in high places, of the sort that on the one hand encourages labor to press its demands for general wage increases which can only come out of higher prices for manufactured goods, and on the other hand officially helps to sustain through its own efforts the high price of food and clothing and shelter. Government support of farm prices, coupled with its labor policies, has contributed materially to the present unbalanced situation. This has resulted in a situation which it is beyond the power of most individual businesses to solve. When the 160,000 employees of the General Electric Company can show an increase in the cost of their food and clothing and shelter which in all fairness can only be overcome by an increase in their take-home pay, the fact that General Electric has managed to hold down its prices to less than half the national average for all manufactured products, avails it little. That is the situation in which many manufacturers besides ourselves have found themselves, and with no real alternative but to increase wages and kick prices a little higher in order to bail out. If this is a sample of government-managed economy, I don't want any. You and I know that the principal distortions in the price structure—with raw materials, farm products, and clothing too high in relation to finished goods—cannot be corrected by direct action but must wait on the lapse of time, higher productivity, and the operation of natural forces. These distortions certainly cannot be removed by any Newburyport Plan, with or without Presidential acclaim.

There are two ways in which prices may be brought down in a free economy. They can be reduced from the top—from manufacturer to distributor to retailer—and this is the path of leadership, to which intelligent industry is committed, and which it will put into practice just as soon as it can, in its own interest. Or prices can be reduced at the bottom of the structure, because buyers will not or cannot buy. This is the path of depression. Only time will decide which path we take. Even this is not the Newburyport Plan, which is about as effective as blowing back at the wind.

No Depression Ahead!

(Continued from page 2)

And above all, it will be because constructive statesmanship did not develop in labor, management, and government.

Economic readjustment is already apparent, but this is orderly and healthy. Panic can always hamstring economic progress, but I have found management across this country not at all panicky. They are resolute and determined to work out this business realignment with minimum repercussion on the economy.

One of the things that will do more to take the bumps out of the adjustment period than anything else is constructive labor legislation.

The public has wanted action for a long, long time.

Peope Want Labor Legislation

A public poll shortly after the election last year showed that 66% of the people wanted Congress to pass labor laws to control labor unions.

A Congress, two-thirds of which was fresh from the people, went seriously to work on labor legislation—that measure is now about to emerge from the Conference Committee and go to the President for signature.

Certainly the President can find nothing but the public's interest involved in the granting of the use of injunctions to the President to stop strikes, which in his judgment threaten the health and safety of the American people. The Government was able to use the injunction to whip Lewis, only because the wartime seizure powers put the Government in possession of the mines.

With war powers soon to be in the discard there will be no public power over Mr. Lewis and his ilk unless labor legislation is passed.

Isn't it in the public interest to outlaw industry-wide bargaining, which permits management and unions to combine to fix wages, labor costs and thus consumers' prices?

Isn't labor monopoly just as contrary to the public interest as business monopolies which have been outlawed by Federal law for years?

Isn't it in the public interest to ban jurisdictional strikes over which the employer has no control and which deprive the consumer of goods or services?

Isn't it in the public interest to ban secondary boycotts which restrict commerce and give unions control over what, where and how goods shall be made, distributed and used?

Isn't it in the public interest to insure that collective bargaining agreements shall be equally binding on both management and labor?

Isn't it in the public interest to make unions legally and financially responsible for abuses which deprive the consumer of goods and services?

Isn't it in the public interest to prohibit the closed shop as a form of labor monopoly which the American public has consistently opposed and which deprives the worker of rights enjoyed by every other American citizen?

Isn't it in the public interest for the worker to have an unimpeded right to a job, the right to selection of his own bargaining representative; the right to free speech without union reprisal; the right to know how his union dues are spent; the right of protection from union goon squads and gangsters; the right of his family to be free from threats and intimidations; the right to a secret ballot and honest elections in his union and the right to support any candidate for public office he chooses?

Is there anything wrong with thus restoring to workers their full birthright of American citizenship and full protection of the common laws of the land?

And finally:

Isn't it in the public interest for Congress and the President to do everything possible to help gain maximum production — the one real source of more goods for consumers at lower prices — the hope of the worker for higher wages and steadier jobs — and the nation's sure preventive for depression?

There are many features of the legislation as it is emerging from Congress which management does not like. Some of the provisions seem positively detrimental. There are, too, important omissions which some think interfere seriously with its adequacy. But what the NAM, CIO and AFL think of this legislation should not be the deciding factor.

The only criterion for this legislation should be "is this law primarily in the public interest?"

Seldom, if ever, has a piece of legislation so reflected popular will. This measure in every respect coincides with the principles of democracy. It will make collective bargaining work, and bring a greater measure of industrial peace, and that is certainly in the public interest.

Get Politics Out of Labor Legislation

It seems reasonable therefore to expect that neither politics nor differences over details should now jeopardize the final enactment of effective labor legislation.

Failure to enact it after devoting most of this session of Congress to the Nation's No. 1 problem, could mean no labor legislation for the next two years—those critical years in which we need every help possible to stabilize our economy.

This would mean prolonged public loss and inconvenience through unbridled, crippling strikes. And to labor itself it might ultimately mean far more drastic legislation than any yet proposed.

The President, too, is on the verge of international commitments which may well tax our economic resources. We are being asked to serve as the world's supply line of peace. We can't deliver for peace if we are warring on the assembly line.

The President has wisely recognized that production and lower prices are the ways that lead away from inflation and economic collapse.

His enthusiastic support and vigorous leadership of the factors that will encourage production, fair labor laws, and tax reduction to restore incentive and investment upon which production can expand, would be the greatest possible assurance this nation could have against depression.

And nobody wants a depression!

I don't want a depression. You don't want a depression. Congress doesn't want a depression. The President doesn't want a depression.

Who wants a depression, then?

Only Stalin Wants Depression

Nobody in all the wide world, but the master of the Kremlin, Joe Stalin, Chief Medicineman of those who hanker after total power.

No less an authority than Secretary of State Marshall reveals that the peace of the world is being stalled by Russia in hopes that our economy is headed for a depression.

If Uncle Joey thinks we're shaking in our shoes at that threat he's got another bad guess coming.

If he thinks we're going to give up what we know we've got, for what he's trying to make the world think Russia's got, he's the most mistaken man in history.

True, our American freedoms have been chipped and chiseled, but thank goodness we still preserve our powers to regain and enlarge those freedoms.

The downright effrontery of a slave economy challenging a free economy makes every businessman see Red—as much as we hate the color.

But the answer lies not in anger, in vituperation or in outlawing the communistic party.

Communism is an ideal. And no matter how false and impractical it seems to us, it is in world-wide competition with our American ideals.

Now ideals can neither be subsidized nor suppressed out of existence. They can only be defeated by better ideals!

So first let's clean our whole economic house of every totalitarian smirch that has drifted in during the past decade.

And secondly let's establish a national partnership. Let's work in harmony to prove the superiority of our ideal.

As good citizens, labor, management, government — ALL must answer this challenge for national unity.

Let's help our government live within the public's means, and restore equality before the law.

As good management, let's help see that no legitimate gain of labor is destroyed.

Let's unite to make this year of opportunity, everybody's opportunity — everybody's chance to make up for the lost years.

I don't mean a boom — and I don't mean a bust.

I mean a year in which houses are built, cars are built, and friendship is built between the men who run the plants and the men who run the machines of American industry!

That will build a truly great America!

Diefenbach Heads Bank Controllers Conf.

Henry G. Diefenbach, Comptroller of the United States Trust Company of New York was elected President of the New York City Bank Comptrollers and Auditors Conference to succeed George Ehrhardt, Asst. Vice-President of Central Hanover Bank and Trust Company.

Henry G. Diefenbach

Other officers elected at the Association's annual meeting were M. A. Schwarz, Assistant Comptroller of Guaranty Trust Company of New York, Vice-President, and Francis X. Kane, Assistant Comptroller of Chemical Bank and Trust Company, Secretary-Treasurer.

Merrill Lynch Firm Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Stanley W. Carr has joined the staff of Merrill Lynch, Pierce, Fenner & Beane, 523 West Sixth Street.

Two Join Dean Witter Staff

(Special to THE FINANCIAL CHRONICLE)

FRESNO, CALIF.—Tom Mason and Norman S. Peck, Jr. have become connected with Dean Witter & Co., Patterson Building.

With Winslow & Winslow

Special to THE FINANCIAL CHRONICLE

WOODSTOCK, N. B., CANADA—Norman J. Smith is with Winslow & Winslow, Main Street.

The World Bank and the Private Investor

(Continued from page 16)

long, Hank is offering Gene the ten dollars.

It frequently occurred to me during this trip that if Tom Clark could only get at that technique and declare it illegal, he would really be getting somewhere.

I shouldn't be telling you about your business; I should be telling you about my business. I thought with an audience such as this that I should not attempt to deal with the general aspects or the concepts of the philosophy of the bank, but to tell you just how it is organized and how it is designed to operate.

It is not really a bank in the generally accepted sense of that term. It is more a financing company. It is a means by which certain reserves of capital can be made available to finance the restoration and development of important areas of the world.

For the time being, that means in the main the reserves of capital in the United States, for there are relatively few reserves which can be called on for this purpose outside the United States today. The world today needs dollars, because, generally speaking, it is only from the United States that things can be exported in the quantities that we are talking about. We hope that this is a temporary condition, and I think it can be reasonably said that it is, and it is one of the purposes of the International Bank to stimulate the productive capacities of other countries so that purchases can be made in a number of markets and not merely in the dollar market.

The Members Are Stockholders

This great financing company is composed of 44 member nations—the stockholders. Its authorized capital is $10 billion, of which over $8 billion is subscribed. All this sounds very big, but when one examines the structure of the capital, one quickly finds that at best only $1,600,000,000 can ever be made available for lending purposes from the Bank's capital, and I say at best, because it is only with the consent of the member country that any moneys contributed by that country to the capital of the Bank can be made available for lending purposes, and to date, the only country that has contributed its capital and has at the same time consented to its use for lending purposes is the United States.

Under no circumstances—and this is important—can the 80% capital subscription, or some $6 billions, be used for lending purposes. That stands and must always stand only as a fund callable to meet any actual or threatened deficiencies in the Bank's own obligations; so if we take conditions as they are, with only dollars in demand and no other currencies available for lending at the moment, we have not $8 billion but a mere $700 million to lend from the Bank's own fund.

Limitations on Lending

This necessarily moderates any plans for immediate lending in global quantities, particularly when we have so many needs to consider and rather heavy operating expenses besides. There are those who talk and write as if the Bank could or should lend beyond its resources, but I do not know how you lend money unless you have it.

These figures make it clear that if we are to lend more than our own funds, we must borrow the money ourselves to do it, and it is this feature of the Bank which I think is its greatest one.

Other interesting features are the requirements that the loans of the Bank be made productive; that in the main they shall be made for particular projects; that they must be guaranteed by agreement, by the government or by a central bank of the government, wherever those projects are to be financed; that the loans must have a reasonable prospect of repayment; and that the Bank insure that the proceeds of the loan be applied to the purposes for which the loan was applied for and for which it was approved.

None of these provisions is new. They were not recently created by any new management. They were wisely set up by the people who designed the Bretton Woods agreements.

Private Investment a Healthy Safeguard

But the most important requirement of all is this one, which requires the Bank to obtain the bulk of its funds for lending purposes from the private sources of capital supply. I say that this is a healthy and important provision for it requires the management and the directorate to keep in touch with the investor and it helps the borrower because it properly influences him to seek money only for projects for which he can show good economic cause. It also shields the Bank from political pressures, for if loans were made for non-economic purposes, the knowledge of this would soon be widespread and an automatic damper on the amount of money available for lending would soon occur. Political pressure, in short, would merely kill the goose that lays the egg. In the long run, because of this requirement, the proceeds of a loan will be made to go farther.

It has been said that the Bank has not been organized right. I think this feature alone justifies it, but the concept of 44 nations bearing a responsibility for the success of the venture is an additional factor of the greatest importance.

The Bank was organized for the purpose of assisting the devastated and undeveloped areas of the world to recovery and productivity. It intends to do all within its power to accomplish this. How far it can go in this direction depends primarily not on those who believe the world is to be saved, if at all, only by vast loans from the United States or other countries, not by any group of potential borrowers from the Bank, not even by the member countries, but by how much money the private investor is willing to put into the project.

It is the intention of the Bank to have the loan portfolio of the Bank carry obligations of the securities which the Bank itself sells, and if world production is stimulated to recovery and development, this is a reasonable prospect. We have had some rather striking figures recently showing the great excess of United States exports over imports for this year. This is due to the fact that the United States is such a large capital-exporting country today. Other countries need so many goods and so much equipment from the United States that they cannot afford to export their own products except for the dollars they need to purchase their American supplies.

Imbalance of Payments Will Change

But that condition cannot indefinitely prevail. The United States could not even cause it to prevail by continuous loans to pay for our own products, for eventually the importing and borrowing countries would not be able to service those loans. There must, in the nature of things, be some leveling off as production increases in the world, but I am not in the position to assure you at what time or, indeed, if ever, that leveling will be completely balanced. I do feel, on the other hand, I don't believe anyone can tell you in the long run it cannot be balanced. I do feel that our people are intelligent enough to grasp the fact that in the end they cannot export on an international basis and import on a national one. I also know from history that creditor countries and capital-exporting countries have invariably lent money abroad, whatever the motive. This follows from the very nature of capital itself, for capital is not a contracting force. It is—and as long as it continues to exist will be—expansive. It is a concomitant of a free enterprise system. Creditor countries will continue to invest money abroad in spite of past losses, just as capital continues to be invested domestically in spite of constantly recurring domestic losses.

The interesting thing about the International Bank is that it permits investment in a pool of loans rather than a single debtor, with the strength that such a pool can give, and in back of this, the obligations of the member countries to come forward to the extent of their unpaid subscriptions (that is, over $6 billion) to make good any possible deficiency in the investment. This obligation, namely, to pay up to 80% of their subscription in such an eventuality, is the protection against a significant failure to bridge the gap of the balance of payments or against an economic cataclysm that could otherwise prevent the service of the Bank's own borrowings.

It is something, in short, to use in case of fire. The obligations to meet this call are several and they are absolute. They are, in short, creditors' assets. They are to be paid in whatever currency it is required that the obligation be met. The nature of the obligation can probably best be indicated by giving you the result of some figures that we have recently arrived at after some research in the Bank.

Past Performance

We took the assumption that the Bank was in existence from the period of 1920 to 1940. Without any selectivity, without any further selection of the loans as they fell during that period, taking into account all the enemy loans—the German loans, the Italian loans, the Japanese loans, the Austrian loans—taking the defaulted South American loans—Chile, Peru and so forth—the results show that by the end of 1940, had the Bank been in existence, there would not have been a single loss in principal to the investor, nor would there have been any loss of market value, even if we took the United States contribution alone, assuming that it had been the only one that had been relied on, the United States contribution alone would have been exhausted only to the extent of some 30%.

Now, this assumption is valuable only as an indication. We are, as all people know, living in a different community than we lived in just after the close of the last war. We have a devastated and demoralized Europe this time and we have some most uncertain political and economic factors to deal with. But there still remain in the world many people with skills, with the capacity and the will to work and produce, and there is a surprisingly large amount of basic physical capacity left in the world, and such physical capacity can be made productive if they have the raw materials and some supplementary equipment with which to get them moving. Given that physical equipment, you can rely upon the fact that there is a fundamental instinct in the human being to restore himself and his own fortunes.

I have had an opportunity, I think, as few people have, to observe the destruction and the rubble of the world. I went to practically every theater during the course of the war and I saw destruction and devastation in about all its forms. I spoke a little while ago about George Patton. I am going to tell you a story that impressed me very much when I was going along with one of George Patton's columns. It illustrates this fundamental instinct.

A Lesson From Patton

He had crossed the Rhine and was going on his way toward Czechoslovakia. From the sound of the guns came back this stream of humanity. They were marching alongside the road in every condition of infirmity, health and age. It made me wonder what they were going to do with themselves that night, so I fell out of the column and went along with them for some distance and, just as ants go along over the ground with a purpose, they finally ended up in a great barn, a tremendous affair. It was perhaps a riding hall rather than a barn, an abandoned German riding hall. In that hall, this debris of humanity was swarming. I have never seen such a sight. Over in one corner on a manure heap, I witnessed the birth of a child. On the other side of the manure heap was a corpse. If I had come into that hall with food, I would have been pushed around. If I had come into it with a broom, I would have been mobbed. The extent to which particularly the women set about to prepare their lodging for the night, to restore a little decency in their immediate environment, was most impressive. It was fundamental. It was elemental. It is an instinct upon which you can capitalize.

In those days they didn't complain. I think you can see that there is some progress being made because people are beginning to complain. Complaint is usually a sign of some progress, but they still need further help.

Now, the bank can't be the savior of mankind. It cannot do it all. Peoples of the countries involved will still have to carry the main task, but if the bank can serve as a sort of catalyst by which their energies are stimulated and their efforts magnified, it will have fitted into a good purpose. But the bank cannot do all that needs to be done, nor can the bank and its management do all that needs to be done to enable the bank to do its part. The management is doing its best, according to its lights, with the help of an excellent staff, and a board of directors, to set sound policies and properly conduct its operations. The bank presents a most interesting device for the stimulation of private investment in the international field, but it needs your real help and confidence. Whether the bank will function at all—certainly whether it will continue to function on a broad scale or any length of time—is a matter which only the investors themselves can decide. Up to the point of the call on the United States 80% contribution the investor can totally disregard the value of the bank's portfolio of loans and look only to the value of the U. S. dollar. Before that point is reached, at the pace which loans of the type specified by the Articles can be made, we shall all know much more about the trend of the world economy, whether it is upward or downward and whether the bank has so conducted its affairs that it is worthy of further confidence, whether, in short, there is anything of investable value in the world besides the U. S. dollar. This bank enables an investor with safety to make that test.

If Europe and other important areas of the world continue indefinitely to be the morasses of economic disintegration and demoralization, there is not much sense to talking about any guaranties, for not only will the guaranties of the bank avail nothing in the way of lasting satisfaction, but I dare say all the other so-called guaranties in this life will also fail.

The Bank, as I say, needs your support, and if you wish to know more about its personnel and operations, you are welcome at any time either in the New York office or the Washington office of the Bank. Above all, it needs your interest. By its Charter it is meant to assist the investor of private capital, and it presents a means by which private capital can enter a field of international investment with safety and still test out whether by increasing the productivity of these more unfortunate countries by judicious loans a prosperous or at least stabilized world economy can be restored.

Types of Securities to Be Offered

Now, a word as to the type of securities that the Bank proposes to issue. The Articles of Agreement provide that the debentures of the Bank must be the general obligations of the Bank. That means they are not to be collateralized by any particular loan or set of loans the Bank itself makes. They are secured by the portfolio of the loans as the first reserve, by a reserve of 1 to 1½% which is charged annually against each borrower for a period of at least ten years—it can be carried longer than that if the board of directors decide it is advisable to do so—which fund is set apart, invested separately, and can be only used for the purpose of meeting any possible deficiences on the Bank's own obligations and the third reserve is the 80% call to which I have already referred.

Selling on Agency Basis

We propose that the first issue be made in two maturities, say, one of 25 years and another, say, of ten. They will be callable, at least the long-term ones will be, and they will be issued as we now propose, on an agency basis. There will be no underwriting or no competitive bidding. They will be registered, we assume with the Securities and Exchange Commission. Application has already been made to list the securities on the New York Stock Exchange.

We hope to make the issue before deep Summer sets in, if all of the many things which have to be done can be done before that time.

There are many aspects to the Bank; there are many other facets and features of it that we could go on talking about for some time. The suggestion was made that we answer any questions that you might have. A number of questions have already come up. I may run through, if I may, a few of these, and if there are any other questions that are still burning anyone's bosom, if they haven't been replied to by that time, we can perhaps take them.

"What About Russia?"

One of the questions I have is, "What about Russia?"

Russia is not a member of the Bank. She asked for a quota at Bretton Woods, and it was given her, but she has never applied for membership. Whether she will or whether she won't is speculation. Some of her so-called satellites are members, if you can call Yugoslavia, for example, a satellite. Perhaps I shouldn't presume to apply that term to any country, but Russia herself is not a member.

"What will be the position of the Bank in regard to lending countries that have defaulted?"

One of the provisions of the Articles provides that the management, the directors, must be satisfied of reasonable prospects of repayment. I think evidence of a willingness to pay and repay is an element, and would be taken into account in the determination of any loan. That doesn't necessarily mean that every country that is in default has to pay up before it can apply or be granted a loan by the Bank. Some evidence of the fact of the willingness to do all that they can would certainly be appropriate.

"Would you care to elaborate on

the Bank's policy of lending money for productive purposes?"

The word "productive" perhaps is capable of rather broad definition. The general type of loan which is specified in the Articles of Agreement is clearly a project type of loan. Well, if you will consider a broad national program —well, other types of loans, if you consider a broad, national program not to be a project type of loan, can also be permitted. The French loan rather took on that general aspect. The proceeds of that loan were devoted to the productive purposes to the purchase of equipment, railroad equipment, some raw materials, particularly coal. You all know that coal is the kernel of the European economy, if it isn't the kernel of the world economy. I never realized until I had been in the War Department and in this position how much the world still revolves around coal. I don't want to talk down any oil for the oli men, but still the world moves around a coal economy, and coal is still the most valuable security in Europe. If you can solve that problem, many of your other problems will be solved.

Amortization Policy

"Do the loans made by the banks contain a clause calling for 100% amortization by maturity as in the recent French loan?"

Certainly we want all the loans amortized by maturity, and we would propose to have some sinking fund arrangement in the normal loan. I can conceive of a small loan that might be made with perhaps a sinking fund, where perhaps a sinking fund provision would not be appropriate.

"What steps will the Bank take to ascertain that the funds it lends are used for the purposes for which they are borrowed?"

As I say, the Articles of Agreement require the management to insure that the proceeds will be applied for the purposes of the loan. We would require simply the normal inspection rights. There has been some publicity to the effect that some question as to the French loan—I think if one reads the French loan agreement, that question is quite clear. We will have observers and we will have an inspection system to determine that the proceeds are used for that purpose. If they are diverted, we probably can't send battleships around; we haven't any battleships in the Bank to do anything about it. We can certainly give publicity to the fact, and we can certainly use whatever influence the Bank and its 44 members have in order to rectify such a situation as that.

The Executive Directors

In that connection I would like to say something about the members of the Bank, and particularly the executive directors. I have been tremendously impressed since I have been in Washington with the objective attitude of the executive directors. Many of them are spoken of as being less than objective because their countries, many of them—not all—are potential borrowers. The extent to which they hold the sense of responsibility for the success of the banks is most encouraging and I think the very fact that the collective responsibility that does exist in the Bank is one of its strongest points.

"What happens if a member country fails to meet a call by the Bank for its total capital subscription?"

If it is in default under the Articles of Agreement, as I say, we can't send a battleship around to do anything about it. Perhaps that question is really directed to what happens to the other countries if there is such a default. Under the Articles of Agreement and under the interpretations which have been adopted unanimously by the executive directors and which have now become a part of the Bank's Charter — because they haven't been appealed from—the obligations of the members to make good on their respective unpaid calls is, as I said earlier, absolute; it is not dependent upon others meeting their obligations. Moreover, if there is a deficiency or a threatened deficiency impending, it is the obligation of the Bank to make the call; it is not dependent upon the whim or discretion of anybody.

No U. S. Guarantee

"Will the debentures of the Bank be guaranteed by the United States?"

No, they will not. The so-called 80% guaranty is not a guaranty at all; it is simply a call on a subsbcription, just as a call can be made on a domestic stock subscription.

Investors Are People

(Continued from page 9)

this you are distressed to find how few of them approach your ideal of what a stockholder should be. Here is one who bought it on the advice of a broker, another a banker, another the family lawyer, another a neighbor who had had stock in the company for five years "and it always paid its dividend," and so on. And as long as it pays its dividends, that's all a great many of them want.

Where, Oh where, is that ideal investor who has gotten out the statistical manuals and a file of your annual and quarterly reports, who has studied your history and your prospects, who has been persuaded, through careful inquiry, that you have the most competent, the most aggressive and at the same time the most conservative management in your particular industry, and then, in calm possession of all the facts, has gone to his broker and placed his order? The one who from then on acknowledges the president's letter of welcome, always sends in his proxy, or else attends your annual meeting and asks only the most pertinent of questions, reports changes of address at once, deposits his dividend checks promptly, and generously supports the Investors League and come to all its meetings. He may be in the ranks of your stockholders—this paragon—but how seldom you see traces of him. Possibly only at meetings of this kind. Why? Just because stockholders are people.

You all know, probably, that a new business has sprung up during the last decade or so—that of professional proxy s o l i cit o r s. These firms have far-flung organizations covering this country and Canada, and I am told by the head of one of them that their principal job is "overcoming investor inertia."

Why is it that year after year, when we send out but one mailing, we do not get back mor than 60% of the company's proxies for the annual meeting? If we send out a follow-up letter, 6% more will respond.

Why is it that with 70,000 Consolidated Edison stockholders in this metropolitan area no more than 400 have ever attended a stockholders' meeting—and some 150 of those were employees?

Over a period of the past year and a half, we have been offering to each new stockholder a 32-page illustrated booklet, printed in colors, which tells about our company and gives financial and statistical information for 15 years back. This has been described in the president's letter of welcome, and offered free for the asking. All the stockholder had to do was sign his name to a post-paid card and drop it in a mail box. Wouldn't you think every new investor in a company would be eager for all the information he could obtain about it? Yet less than half of the new stockholders have asked for it.

And then there was the instance, back in 1935, when the drastic holding company bill was before Congress, and one of the large national public utility holding companies took great pains to apprise its stockholders of the threat to their investments. How many of them wrote their representatives in Washington? As nearly as the company could find out, about one in 70. And of those who did write, a few actually favored the legislation!

Why is this? The answer is the same. Stockholders are people and, as they say on the radio, people are funny!

Even one of the world's most famous stockholders, the elder J. Pierpont Morgan, was funny, according to the story. He was one of the original backers of our predecessor company, the Edison Electric Illuminating Company, which financed Thomas A. Edison's original Pearl Street Station here in New York, opened in 1882. It was to Mr. Morgan's office that Edison went on the fateful day when the lights were to be turned on. Promptly at three o'clock that afternoon the lights came on as scheduled, and Mr. Morgan expressed himself as well satisfied, not only with the product of the new company but with its prospects as well. He appeared pleased with his investment.

But it turned out that Morgan the stockholder and Morgan the customer were two very different persons. Edison found this out when the bill was rendered for the first month's service. Mr. Morgan could not believe that his building had used as much current as had been charged for. With his usual bluntness he said as much to Mr. Edison. Furthermore, he hung cards on his fixtures, and instructed his clerks to enter on the card the exact time at which the lamps were turned on and off. Sure enough, a tally of the cards showed a substantial overcharge on the second month's bill. Mr. Edison said that it must be the meter. The third month the same thing happened, and so Edison undertook a personal investigation. First he examined each fixture and all of the wires. Everything seemed in order. Then he began questioning the employees, until finally he reached the janitor who cleaned up at night. Mr. Morgan, it developed, had forgotten to tell the janitor about the cards, and the old boy had been sweeping and scrubbing to his heart's content under the new electric lights.

What I am trying to develop here is that those charged with responsibility for relations with the stockholders in corporations have to realize that they are dealing not with a sharply defined statistical average, but with a cross-section of our body politic; that they are up against all the apathy, indifference, and lethargy which we Americans normally demonstrate in the conduct of our affairs.

You all know, for example, that only 50 to 60% of the qualified voters vote in presidential elections. How many of the people in this room vote in the primaries? How many of you who pay real e s t a t e t a x e s, either directly through the ownership of property, or indirectly as tenants, ever attend a school meeting, a town meeting, a village board meeting, or, if you live in New York, a Board of Estimate meeting? And I'll make a guess that in most cases the amount of taxes you pay is in excess of your income from any single company in which you hold stock.

So it sounds like a pretty discouraging job trying to get the stockholders to exercise their rights, to arouse their interest and support and gain their cooperation on behalf of their own property, doesn't it? Some corporation executives have solemnly asked themselves, time and time again, "What's the use?" Some of them find it very hard to laugh off the caustic comments which inevitably come back with every batch of proxies, and on the same old subjects year after year: "Your officers' salaries are too high." "Your directors don't hold enough stock." "What about those fees? I would serve as a director for a lot less." "How much longer are you going to cheat and chisel us out of our increase in dividends?" "Cut out the pensions and give that money to the stockholders."

Why don't stockholders who feel that way about the company sell their shares and put their money in one they do have confidence in, these company officers ask. Why? You know the answer by now. Because stockholders are people, and did I suggest a few moments ago, that people are funny?

But these dissenters I have just mentioned are at one end of the scale. There is, of course, the intermediate group—and this is a very large one—which you never hear from at all, except to receive a proxy for the annual meeting. These, you take for granted, are contended stockholders. Then at the other end of the scale are those stockholders and stockholder representatives who constitute a truly potent force, who may, and often do exert considerable influence on managements. I refer to those whose studies, researches and recommendations largely determine the purchase and the retention or sale of securities in large volume, that is, the investment officers and analysts of the great banks and trust companies, of the insurance companies, investment trusts, investment counsel firms and statistical services.

Most of these men are experts in the industry they cover, use its parlance, known its problems, follow its trends. They go over company reports with a fine tooth comb, make periodic visits to the companies and talk with their top officers, so as to fit the individual company's situation into the industry picture and general business picture, and be prepared to make their recommendations to their investment committees and boards of directors. Some of you would be surprised, I think, if you knew how many of these men visit a corporation's offices in the course of a year. As a group they represent the most sophisticated investors in the country and accordingly their influence on company managements is large. Indeed, the very fact of their existence should provide a modicum of comfort and reassurance to the rest of the stockholders.

These investors are, of course, relatively few in number, although not in the volume of shares they represent. They fall among that 11%—in the case of my company—I mentioned earlier, who are not individual stockholders.

But coming back to the individuals, what can be done to find out more about this 89% of the stockholders, who obviously comprise so many gradations of investor interest, in order that they may be more intelligently appealed to? We may think we know how the stockholders feel about us, and what they expect from us, but really it is largely guesswork.

Well, there is one modern business tool now being used to test markets for products and to weigh and evaluate opinion on all manner of subjects, which might well be considered. That is the public opinion poll, such as are being conducted by a number of firms. Why should not a public opinion poll be used to determine "the nature of stockholders," to break them down into groups and find out what they, as stockholders, think about the companies they have investments in, how they feel about business management in general, and possibly also, how much they know about the private enterprise system?

As a matter of fact, such a project already has had some preliminary discussion and been very crudely outlined. As tentatively set up, six or eight companies, of various sizes, whose operations and stockholders are concentrated in various parts of the country, all in different lines of business, would sponsor the survey. It would be carried on by those skilled in the business of testing public opinion. Whether it would be done by personal interviews, by mailed questionnairs, or by a combination of both, these and countless other details have not been worked out. There is reason to believe that the infirmation derived from such survey would be of considerable help to managements in laying out their courses for future stockholder activities.

But pending such a means of enlightenment as to what stockholders are really like—what broad groupings they fall into—it appears that more and more companies are making a sincere effort, even if they are scattering their fire, to provide something for everyone, trying to give stockholders everything that any of them might want, or that we think they might, or ought to, want.

In the matter of annual reports, which Mr. Smith has discussed, I agree that there has been a vast improvement in recent years in making them more informative, understandable and attractive, though my own opinion is that some of them go to the extreme in flamboyancy, and many of them are short on the facts the sophisticated investor requires. Mr. Minton has discussed the techniques which are being used by the ever-increasing number of companies who are taking their stockholder relations seriously.

What does it all add up to? Well, as the effort expands throughout industry it will tend, for one thing, to increase the knowledge on the part of more of the owners of the individual companies, the stockholders—of the nature of that company's business and its problems. This is all to the good, for the better the owners understand a company's business, the more effectively their hired men—the management—can carry on in their behalf.

Another result, a by-product, of the broadening of stockholder relations activity may well be to help in the effort to sell, and re-sell, the philosophy of the American individual enterprise system; to do this by spreading among the great body of stockholders the conviction that here, in their companies, are examples of the kind of thing which has given our country its preeminent position, which has made the standard of living of our citizens far and away beyond anything the world has ever seen, which promises a continuation of this happy condition, through the skill of business management to distribute more and better goods and services at lower and lower prices, to pay better wages for increased productivity, and to show better earnings and pay better dividends, as the business grows.

These stockholders—these people—must be cultivated as supporters and advocates of the private enterprise system, so that no siren call can ever persuade them to abdicate in favor of government, ownership and management.

Progress toward this end—even if slow—is, I think we will all agree, well worth the effort.

London Still Leader in World Finance

(Continued from page 12)

completely unconditionally convertible currency it was until 1939. When placed in juxtaposition with the strength of certain other currencies, such as the U. S. dollar and the Swiss franc, this makes the return of the Sterling bill on London, the resurrection of London as the international banking center, even more of an achievement than it would otherwise be.

How do we explain this revival? One negative factor is the virtual absence of any effective competition. One might have thought that American banks, for example, would have been admirably placed to supply most of the available demand for international commercial credit. But the competition from the commercial banks of the United States in the financing of third party international trade has been negligible.

To an American bank a foreign credit must be a 100% secured credit, whereas more than half the acceptance and cash credits granted by London to finance overseas trade are completely unsecured. I am not suggesting that American credit and capital have not been extended. But they have tended to follow closely in the wake of American exports. Much of them are being provided through an official institution, the Export-Import Bank, in some of whose operations the commercial banks have participated. But of that official, or even semi-official, competition London need not be unduly afraid. When it comes to financing trade which never touches the country providing the credit, London is still not merely supreme but without serious challenge.

This absence of competition is a measure of the quality of the instrument of international finance we have in London. Our merchant bankers, overseas banks, and even our essentially domestic clearing banks, have developed a flair for this business and have acquired a clientele and a network of agents and contacts which cannot today be matched by any other banking system. Underlying all this there is in London a market in which commercial bills can be sold as easily and as cheaply as anywhere in the world. This discount market may have been lying fallow during the war as far as its business in commercial paper was concerned, but it has kept its machine ticking over on the less exciting business of handling government paper. In the past few months it has played its part in the revival of London as a world banking center.

The old machine is still there and quite incomparable. The merchant bankers have again given proof of that quality of adjustability which has been the secret of their past greatness. Since the end of hostilities they have either reestablished old links or made new ones with the countries of South America, with the Middle East and the Far East. They and their associates have tended, in some cases, to place greater emphasis on the merchant part of their name merchant banker—a welcome and constructive development. In many cases their banking evolved out of genuine merchanting and renewal of contact with the actual produce they finance will do them no harm. Many of these houses have recently been rejuvenating themselves with new and young blood.

Sterling Still an Anchor of Value

Sterling is not quite what it was. But it is still decidedly something. It is still the currency which serves as anchor to the values and trade of a large part of the commercial world. In spite of the stresses and strains to which it has been subjected it has maintained its values and still holds the confidence of the world at large. How else can we explain the fact that quite a large volume of trade between non-Sterling countries is done on a Sterling basis? An essential element in that confidence is the knowledge that Sterling has been allowed to become more and more freely available for expenditure in any part of the world and that it is moving towards complete multilateral convertibility for current trading transactions. That progress towards full convertibility plus our membership of the Bretton Woods system, has helped to sustain world confidence in Sterling in spite of the difficulties which we have been and are undergoing. That confidence would not be there in such good measure if we had listened to the voices which for the past years have been telling us to withdraw into ourselves; to be safe and small rather than big and adventurous; to turn down the American loan and its financial and commercial commitments; to refuse to join the Bretton Woods Club. If we listened to those counsels our days as world bankers would indeed be numbered.

If we want to remain bankers we must honor the checks drawn on us. It will be difficult enough to avoid to refuse such payments in the arrangements that have yet to be made for treating wartime accumulations of Sterling — that very special category of debt; no case could be made for refusing to honor checks drawn on the current accounts we keep here for overseas countries.

In paying our homage to Sterling let us not forget how magnificently it has been made to work in the cause of stability during and since the war. The Sterling area arrangements and the network of payments and monetary agreements made between this country and others outside the Sterling area have provided a valuable element of stability in the sphere of international exchange relationships.

There has been a tendency in the U. S. to view them with a certain measure of suspicion and to regard them as a subtle mechanism of discrimination. But that mood is changing. Informed opinion in New York and even in Washington is now beginning to understand that the cohesion of the Sterling area during and since the war and the payments and monetary agreements we have made since the end of the war, especially those with Western European countries, have been a valuable element of stability in the world situation—an influence which has operated long before the wider plans of the Bretton Woods institutions could come into effect. These agreements are in fact dovetailed into the mechanism of the International Monetary Fund. They are entirely consistent with the Bretton Woods philosophy. Their existence and the machinery they have provided for making payments and for ensuring stability of exchange rates, not only among Sterling area countries but between that area and other countries, have played a great part in reviving London's role as an international financial center. They have helped to get trade moving. By establishing Sterling as the currency in terms of which a large part of world trade is expressed they have contributed to the return of the Sterling acceptance credit and of the bill on London as the finest instrument for financing world trade.

Questions of Exchange Control

Control of exchange we had to have for purely defensive purposes. But a strictly controlled exchange and the requirements of an international financial center and of a great merchanting community are things that do not normally mix well. We have given evidence of the qualities of compromise and improvisation in the way in which we have married the needs of an effective control of exchange to the opposing needs of a country which lives by its overseas trade. This reconciliation was achieved by the greatest amount of delegation, by leaving much of the administrative work and even a certain measure of initiative on policy to the commercial banks, by working the control throughout with the help of the bankers' foreign exchange committee, above all by putting bankers and firms on their honor, giving them open licenses, making them account for their use of exchange after and not before the transactions. It puts the minimum of restriction on genuine commercial operations. It pays because you can depend on your merchants to use their resources at a profit and thus to return to the authorities not only the exchange they have used, but also the counterpart of the profit made on the transaction.

The credit for working exchange control so smoothly belongs in the main to the Bank of England. One has been wearied for many years by repeated assurances that ever since 1931 the power of initiating financial policy in this country had shifted from Threadneedle Street to Whitehall. Since the Bank of England was nationalized the trend has been reversed. Little did those who decided to nationalize the Bank suspect that they might meet the fate of the lady of Riga. Nationalization has given the Bank new power and enhanced status, particularly in dealing with the gentlemen in Whitehall. Eminent civil servants complain that nationalization has given the Old Lady a new quite excessively vigorous life. Whatever the explanation (it may also be due to the fact that since the lamented death of Lord Keynes, the Treasury is lacking in vigorous and vocal leadership) the Bank of England has made a great comeback. It has first class personnel. The young men chosen by the discerning eye of Lord Norman during his long governorship of the Bank are now coming to the fore. They may have been nationalized but they neither look nor behave like civil servants, and the influence they exert in such directions as the policy and administration of exchange control has been all to the good and has undoubtedly helped London to regain its predominance as an international financial center.

In making that recovery we have in some respects been living on what we have inherited from the past—a banking and money market mechanism, a far-flung network of overseas branches and agencies and correspondents, a reputation for fair dealing and credit worthiness. All these were built up over many decades, when we had ample resources to lend overseas, when London was the commercial as well as the financial capital of the world. International banking in this country developed out of merchanting. For the time being we have lost those annual balance of payments surpluses that enabled us to scatter our capital over the wide world. We are also in danger of losing our mercantile dominance.

We are again making credit available to finance foreign trade —even foreign trade which never touches this country; we are financing such diverse transactions as shipments from Brazil to Belgium, the processing of goods in Italy and Japan, the sales of Australia wool to France. When, after July 15, Sterling arising out of current transactions becomes a fully convertible currency, the opportunities for transacting this kind of financial business will no doubt increase still more. But in engaging in this type of operation, the short-term export of capital, we are living on our wits, lending what we have not got. That has for a long time been the prerogative of the banker in the domestic field and we need not be afraid of applying it internationally—provided we pick our risks wisely, keep our commitments within reasonable bounds and charge for our banking services a fee commensurate with the risk involved. On all these points we must trust our bankers to know their business. But how much safer the position would be if, in developing this business for which we appear to have such a flair and such good equipment, we had ample resources at our disposal.

London Business Limited by Resources

Good business is being turned away and disallowed by the authorities because, given the present state of our reserves, we cannot afford to be short of hard currencies and long of softer currencies even for comparatively short periods. We must for the time being keep looking over our shoulders; looking at the rate at which we are exhausting our dollar credits; making sure that we keep our commitments, not merely within the bounds of what is safe and good business, but within the bounds of what we can safely afford to lend. We cannot be successful international bankers for any length of time unless there is in this country a healthy economy, a balanced account of international payments. In any community the person who becomes the banker is the solid citizen, the man of substance as well as integrity. That is just as true of international banking. We may for the time be doing quite well on the skill, machinery and reputation we have inherited. But that in itself is not good enough. We could put that machine up for hire, and act as agents, using our skill and our connections to place other people's—and mainly American—capital. But London's supremacy would not live long on that basis. We have to be our own masters in this matter. We can only remain our own masters if we create the wherewithal to be bankers and not merely bankers' agents.

There must be no doubt about the future of our international banking business as long as there is doubt about the future of our commodity markets and other mercantile activities. Our international banking evolved out of our merchanting. If our free markets are to be sacrificed to doctrinnaire zeal for the alleged tidiness and simplicities of bulk buying and State trading, it will not be long before our international banking business is stifled. Banking of this kind cannot be divorced from the reality which it serves. Without free commodity markets you will not have free banking for long. The two go together. What is at stake, therefore, in the choice between free markets and State trading in this country is not merely the comparatve efficiency of these two types of merchanting organizations but all the ancillary activities and profits that depend on the free market. Among these our international banking business is our most profitable and also our most vulnerable single asset. It has recovered magnificently since the end of the war and is helping us to make ends meet in our transactions with the rest of the world. We shall need that contribution more than ever in the difficult years that lie ahead and it would be criminal folly to allow political prejudice or doctrinnaire zeal to endanger that source of external income—one of the few which today is yielding more than it did before the war.

World Bank and Fund Jottings

(Continued from page 16)

the article asks: "A loan to France would be in whose interest?" According to Mr. Lawrence, "If the Bank decides to make any loans to communist-dominated borrowers, it will have a major selling job on its hands."

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Treasury Monetary Advisors. When the youthful Andrew N. Overby came from the Federal Reserve Bank of New York to advise and assist Secretary of the Treasury Snyder on international financial matters he filled the place, although without the title, which had been occupied by Assistant Secretary of the Treasury Harry White. Mr. Overby took over Dr. White's office and desk. Now that White has resigned as U. S. Executive Director of the World Fund and Mr. Overby has been nominated to replace him, Overby will again move into an office vacated by White, and have both the same desk and the same title and salary. Whether this shift was envisaged by Secretary Snyder when Overby came to the Treasury last summer is anyone's guess. The Secretary at the time announced that Overby would be at the Treasury temporarily.

Overby will not relinquish all his Treasury duties at once. The Secretary cannot get along without an advisor on NAC matters. In mid-July Frank A. Southard, Jr., will be put in charge of the Treasury's international monetary and financial activities, under the Secretary. This is not expected to affect the set-up in the research division, now headed by two co-directors, Harold D. Glasser and Orvis Schmidt. Southard, a Cornell economics professor, was in the Treasury monetary research division under White for a time during the war.

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Grants-In-Aid should be coordinated by a supervisory council, just as government foreign loans are coordinated by the National Advisory Council, according to a memorandum prepared by Chase National Bank Vice-President and former Republican Congressman Charles S. Dewey. Unlike the NAC, however, Mr. Dewey, who was once financial advisor to the government of Poland, suggests that the supervisory council be made up of men—presumably not present government officials—with practical experience in the supervision of some foreign financial plan in which American money has been involved, actual experience in the operation of foreign railroads, or in foreign public utilities, communications, agriculture, central banks, etc. Mr. Dewey's former colleague on the Banking and Currency Committee, Chairman Jesse Wolcott, inserted in the "Congressional Record" last week a newspaper article quoting from Dewey's plan.

* * * * *

World Fund's First Loans were announced last week by Managing Director Camille Gutt at a press conference. Gutt recently visited London (where he discussed the coming governors' meeting and other matters with the British), Brussels (his home), Luxembourg, Paris, the Hague, Copenhagen and Oslo. The Fund's first two loans were made to Belgium's Northern and Southern neighbors,

decision being reached almost immediately upon his return to Washington, Mr. Gutt stated. France got $25 millions and the Netherlands $6 millions and £1,500,000. Mr. Gutt stressed that these are emergency credits for a temporary period and that the Fund confidently expects repayment. Asked whether five years would be "temporary," Gutt replied, "That is not to my mind impossible. The question is, can we visualize the country eventually emerging from this situation. The principle counts more than the number of years."

In this connection, it will be recalled that the fear that Fund resources might be tied up for long periods prompted, when the Bretton Woods program was before the Congress, the effort to obtain an interpretation that the World Bank is empowered to make stabilization loans where long duration is a factor. And even in such cases a definite period to the loan would be implied. Since, as Mr. Gutt has earlier stated, it is necessary for the Fund to be particularly precise in its statements and particularly cautious in its operations, one may assume that the present assistance announced by the Fund will be of a temporary and self-righting nature. The Fund draws assurance from the fact that the borrowers are obtaining long-term dollars elsewhere. Indeed, the Fund's advance of dollars to France was not decided upon until it was clear that the World Bank was to make a loan to that country, Mr. Gutt stated.

* * *

None the less, it is not reassuring to read such facts about France as are brought together by Paul Bareau in his able article in Lloyd's "Bank Review" for April, "The Economic Regeneration of France." In contrast to the monetary measures taken after the liberation in Belgium and the Netherlands, the policy of France was "false as well as pusillanimous," according to Bareau, who was a member of the British delegation at the Savannah Fund and Bank meeting in 1946. The French budget problem, which lies at the root of the monetary instability is "far from solved" in the country "where excessive taxation is fortunately tempered by fraud," says Bareau. Neither the Fund nor the Bank can take comfort from this passage in Bareau's masterly analysis:

"The Monnet Plan sets squarely before the French people the choice of modernization or economic decadence. . . . And Mr. Monnet adds, in the only underlined passage of his letter of transmittal, that the necessary change in the situation can be obtained if as from 1947 effective balance is achieved between the current expenditure and income of the government." (Unfortunately, the estimates say it will not be achieved.)

While it would be unfair, says Bareau, to view the Monnet Plan in a defeatist spirit, it would also be unfair to silence doubts, however sympathetically France's experiment is veiwed and however important to the rest of Europe is its success.

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Gutt's Job, and the Fund's, is difficult. Gutt states the Fund will neither throw its money away nor sit on its assets. It will be under pressures to do both. The fact that France got $25 millions does not preclude further requests from France, within the terms of the Articles of Agreement. There was pending, at the time of the press conference last Thursday, no application from any other country, Gutt said. Under questioning, he admitted that an application from Ethiopia had been returned to that country for missing information. Presumably, what Mr. Gutt was saying was that the Executive Directors as a whole did not have before them at that moment any completed request for credit ready to be voted upon. Mr. Gutt does not anticipate any request from the United Kingdom for dollars.

The announcement about France and the Netherlands does not mean that the Fund will regularly announce transactions with individual members. Rather, it is intended to disclose the Fund's relations with its members only in the quarterly reports, the date of issuance of the first of which had not yet been decided upon, Gutt said.

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Asked About a World Monetary Crisis due to an accumulating dollar shortage, Gutt diplomatically refrained from saying what the U. S. A. should do about it, but he indicated that the United States is in the best position to help solve the problem.

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Because Fund Relations With Borrowers are closer than with non-borrowers, Gutt in reply to a question stated that the Fund's influence is likely to be stronger with the former. Asked whether therefore an arrangement such as the Mexican-American stabilization agreement does not tend to remove a member from the Fund's influence by giving a member a "quota" outside the Fund, Gutt's reply was that the more a member's needs can be taken care of outside the Fund, the less the likely burden on the Fund. From this standpoint the Fund would welcome more bilateral agreements between members, Gutt thought. Asked whether the Fund would be helped by the publication of the text of the Mexican-American agreement of this month, Mr. Gutt said he could not say, as he had not read it.

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The Fund's Announcement that Prof. Guido Carli of the Italian Foreign Exchange Office had been elected an executive director said that Denmark, Italy, Turkey and Venezuela "were eligible to participate" in the election. What it did not say was that Denmark refrained from participating, since it feels very strongly that it does not want to be represented by an Italian—any Italian. Officially, Prof. Carli casts Denmark's votes hereafter in Fund decisions. Denmark will doubtless raise the matter at the September meeting.

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Fund Representative in Ecuador. Mr. Robert Triffin of the Fund research staff is in Ecuador for the second time this year. Earlier two executive directors of the Fund visited Ecuador. The country seems to require assistance in working out changes in its currency and exchange controls.

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Under Discussion Between World Bank and SEC is the question of whether the Bank should have a private trustee under the Trust Indenture Act.

Dealers Appraise NASD "Self Praise"

(Continued from page 4)

management of NASD had been very inefficient. That they were lying has since been evidenced by the "hike" in dues, and that they have always been inefficient and unconcerned with the welfare of the little dealer, I have ample proof. Let me reiterate that their Ex Director, who I wouldn't hire at $10 a week, was so lacking in intelligence that he didn't register the NASD address in Washington (when it was established there) with the P. O., with the result that a letter which I addressed to it several days or weeks after it opened offices in Washinton, was returned to me for a better address than "Washington, D. C.," which is all that had been furnished the membership.

I received a so-called free copy of the brochure by Miss Fraser and after reading it rather hurriedly I concluded that it had been written at the instigation and expense of the NASD and as usual without the membership being consulted in the matter of the expense involved. You write as if you thought the author or publishers might have financed this distribution. Although not a betting man, I dare you to bet me that my surmise is wrong. If the brochure had any merit or saleability—why distribute it to NASD members. My bet is that it is not "free" to them but paid for with their own money. Moreover, the brochure tells them nothing which they don't know, so what value is it to members?

AN UPSTATE NEW YORK DEALER.

Sun Spots and Stocks

(Continued from page 8)

because up until recent years there have been no dividends to complicate the picture. Assume that transactions are made at the prices prevailing at the ends of the years given.

Year—	Purchase Price plus Assessm't	Sale Price
1875	$19.88	
1882		$39.37
1886	34.38	
1892		24.00
1897	14.50	
1905		49.37
1910	27.75	
1916		34.00
1921	10.13	
1926		40.00
1931	6.00	
1936		14.25
1942	*8.25	
1946		*11.00

* New Stock.

Profit would have been made on every transaction, except the purchase of 1886, and would have been made on the short side also, if the speculator chose to go short in any of the years indicated for a sale.

We are now on the downward curve of receiving beneficial effects from the ultra-violet rays of the sun, and the turning point probably will not come until the early 1950's. The sun spot cycle runs about 11½ years, on the average. This does not necessarily mean that we have to wait until 1950 for a change in the fundamental course of the stock market, but the indication is that an investor might more profitably, over the next few years, confine purchases to the better grade stock or bond.

La Porte Resumes In Albany, N. Y.

ALBANY, N. Y.—Vincent P. La Porte is resuming the investment business from offices at 328 Second Avenue. Mr. La Porte was formerly President of La Porte & Co., Inc.

Observations

(Continued from page 5)

a quest for large quantities of printing machinery on extended credit terms, openly states that if he is refused either goods or credit, he will, as he has in the past, obtain his requirements through Switzerland and Sweden—in the face of the latter nation's supposed shortage of dollar exchange.

This Polish mission also exemplifies how such shipment of machinery can be reprehensible on political as well as economic grounds. For here the would-be purchaser-borrower has been a member of the Communist Party who lived in Russia until 1940; then came into Warsaw with the Lublin Government which took over and expropriated all privately-owned printing presses for his benefit, and which has recently thrown into jail 11 professional journalists for expressing unwelcome opinions. Thus, ironically, the printing presses furnished by us would literally be used to manufacture and further the Moscow Line which is vehemently anti-U. S.

Loan terms which are officially and uniformly applied would give effectiveness to accompanying provisions which are now seen as necessary by even the most liberal proponents of reconstruction. Thus, Mr. Stassen, just returned from investigation abroad, accompanies his proposals to distribute 10% of our national income with a variety of now impracticable conditions to be imposed on our debtors, as repayment to us in long-term access to raw materials; non-censorship; non-discrimination against American citizens and their capital; non-exploitation of dependent peoples; and abstention from nationalization and socialization. Another enthusiast for buying world peace and prosperity for the next half century by "investing" no less than a trillion dollars abroad, nevertheless sees the need for imposing at least three accompanying conditions on the recipient: guarantees of quick, sure, and prompt enforcement of court judgments; free ingress and egress for us; and freedom of press and speech.

Safeguard Fantastically Impracticable

The merest glance at current doings in our turbulent world indicates how fantastic are expectations that under the present technique, any such above-stated conditions would have the slightest possibility of being observed. It suffices to glance at but a few headline telling: that Reds in China are advancing on a key Manchurian rail center, that even Latin America is facing a dollar shortage and is curbing imports, that Russia indicates she will sabotage recovery in other European countries, that Moscow complains that American loans bring enslavement, that the Russians are starving Austria, and that nationalization in Britain is proceeding unabated, and that many of her Labor Party leaders are bitterly complaining that she has been crucified by receiving a loan from us.

France's prospective use of the proceeds of her new loan from us already is reported to be causing some confusion.

It is evident that concomitant provisos accompanying the granting of loans will be enforced only at the instance of the willing debtor when it so suits him. Our alternative would be going to war 52 times a year. Great enforcibility could, however, be achieved if the agreements were arrived at and imposable by a highly-publicized and formal group of nations administering in concert. For one thing greater teeth of enforcement could be so derived from the use of economic sanctions. And the efficacious economic sanction technique can be brought into play only by a group of nations rather than by a single creditor, for the imposition of sanctions by a single nation is invariably regarded as a warlike act.

Overall concerted action would also supply the advantage of closely coordinating the relief grants by an individual country (the U. S.) with international organizations like the Economic Commission for Europe and the UN affiliated agencies, all of which should devote their efforts to long-term development as well as relatively short-term reconstruction.

Reconstruction help extended under the aegis of an official association, instead of by individual countries, would forestall the trouble inherent in the involvement of relief with power politic-ing and power ideology-ing. If it be answered that this is the aim ultimately to be found in UN for which that Organization is not ready, then the answer might be that withholding of funds by us might have the constructive effect of goading the member countries into making UN really work.

World Bank Research

Activities being curtailed. Hoar supervises loan research.

WASHINGTON—Whether the World Bank's Director of Research, Leonard B. Rist, who a few days ago—the Bank announced—left for a visit to various European cities, will long remain with the Bank is a matter for speculation in certain circles in Washington. It is said that Mr. Rist has not been very happy about the trend affecting his division in recent months. At the same time, in Treasury and Fund research circles, the development of the Bank's research activities has been regarded as sluggish.

The Bank's research staff never has been large. Latterly, this correspondent is told, the staff has been reduced through the transfer of various members to other parts of the Bank. What is known as "area work" is now said to be done in the loan division, whereas Rist's research division is now limited to "functional research."

Loan division research is supervised by A. Stanley G. Hoar, a Briton, who has the title of Assistant Loan Director. Before joining the Bank Mr. Hoar was in Germany with the Control Commission for Germany. As Controller-General of the Banking Branch he was responsible for the control of all banks and other financial institutions in the British zone, for the execution of banking, currency and foreign exchange policy in that zone, and for negotiations with the U. S., French and Soviet representatives on such banking matters as required quadripartite agreements or application.

Louis M. Roberts Is With Apgar, Daniels & Co.

Special to THE FINANCIAL CHRONICLE

CHICAGO, ILL. — Louis M. Roberts has become associated with Apgar, Daniels & Co., 120 South La Salle Street, members of the Chicago Stock Exchange. Mr. Roberts was formerly with the Chicago office of R. S. Dickson & Co. and prior thereto with Bond & Godwin, Inc. of Illinois.

Mobilizing for World Leadership

(Continued from page 2)

tory. Events have thrust it upon us. It is ours because no other nation or combination of nations is fitted or ready for the responsibility. It is thrust upon us because we have just given to the world an overwhelming demonstration of the economic and military power of a free society in which each citizen has enjoyed the God-given right to make the most of himself. In this new relationship we dare not lose our direction.

Power is in our people, not alone in our government, and there power must remain if our leadership is to bring the world into a more enlightened and peaceful era. This fact stands out in bold relief when we look at the utter degradation which dictatorship has brought to the people of once powerful nations, when we see the inhumane and cruel treatment of people and small nations by communistic minorities ruthlessly bent upon power in Russia, and when we see the enervating effects of State Socialism upon the industry and social life of England, the hearthstone of the greatest system of law and jurisprudence of all time.

Let us analyze how to date we have met politically this challenge of leadership in our new world relationship. In war the paramount problem of government is to win the fight. That has been gloriously done by a great military might and leadership. Tonight I share this program with two Generals to whom we are so very, very much indebted for that great fight.

In the field of diplomacy, however, our record is not so spectacular. The Balkan trouble might have been prevented. The Chinese confusion might have been alleviated. The German problem might have been solved even during the war. They were not. Now, today, we our country's leadership, is confused in an effort to solve these problems too often by expediency rather than by a fixed, strong policy.

Truman Doctrine Confused Expediency

Such confused expediency has been described by this Administration as the "Truman Doctrine." Evidently this was done with the idea of creating the impression in the minds of the voters that there is a second Monroe Doctrine, here is a foreign policy that can be described with a political catch phrase. If we have a bi-partisan foreign policy, such political maneuvering strikes at the very heart of it. If there is a Doctrine, and certainly if there is we do not know what it is, does it mean that America is going to pay off every country which is threatened with communistic infiltration? Shall we pour arms and money into every corner of the world where people threaten to go communistic? Shall we bolster the economy of every country, big and little, which shows an internal resistance to the Communistic doctrine? Shall we back fill every hole that Russia continues to dig for us around the periphery of this aggressive power? If we are, we are committed to an unlimited policy of financial, and perhaps. military support in a hundred places. The cost is incalculable. This constant sapping at the economic wealth of our country can lead only to a weakened America. a less responsible place in world leadership. Apparently that is the policy of those who are set off against us in this evolving world.

In a recent interview, related to the American press, Stalin seemed most interested in an economic collapse of this country as a depression. There seems to be evolving a Russian policy which would sap our very strength and defeat all of our noble purposes. Russia is interested in power, not people. America is interested in people, not power. But face to face with a power policy, America must remain strong and concern herself with keeping her own house in order and preserve her freedom and self-government that the world yet may be free and enjoy the blessing of life.

Challenge to Russia Constructive

We are encouraged by a stronger policy in the Department of State. General Marshall challenged the power of Russia at home, at its very heart, in Moscow. We are encouraged that it is likewise being attacked in its propaganda and subversive aspects here in America. It seems incredible that so many of the agents of foreign ideologies of government could have crept into government positions even during the war that it will take 25 million dollars or more to find out who they are. But whatever the cost, the people of this country in mobilizing for world leadership must purge their government of everyone in positions high or low who do not believe in the constitutional structure of government, subscribe to the doctrines of the Republic and hold sincere allegiance to the flag of our country.

In mobilizing for world leadership we must remember an important but insufficiently stressed truth that the wellbeing of a self-governing people depends largely upon an intelligent, well-informed and forward looking leadership. I do not mean primarily political leadership. I do mean the non-political leadership that is represented by scientists, lawyers, physicians, ministers, newspapermen, educators and others. And since we are pre-eminently an industrial nation, I am thinking particularly of economists, union leaders and industrial leaders.

Upon such leaders we must place our main reliance in preserving our self-governing society. Such non-political leadership, if permitted the latitude and given the encouragement, provides the cement that holds a people together sufficiently to make self-government possible. Their function is, each within his own sphere, to inform, to counsel, to guide and to effect the daily adjustments in human relationships so necessary to a cohesive society. They also supply the resources and initiative that add up to the dynamics of our economy. Political assault upon these leaders, such as we have seen in the last decade or so, is a blow to the very heart of our democratic body politic.

Danger of Dependent Society

Without the strong and confident leadership provided by these non-political groups, a self-governing society is in grave danger of degenerating into a dependent society. If this non-political leadership is disabled by policies or acts of government so that it can not perform the functions I have referred to and the people are forced to look solely to political leadership for their salvation we can be sure that the people's capacity for self-government is near its end. When the power of government is increased, personal liberty is suppressed, leadership is weakened. I regret to say that we have already seen in this country alarming tendencies toward ochlocracy in numerous industrial paralyses, in conflicts between economic classes and in the many instances of downright contempt for and brazen defiance of law and government. No examples need be cited of such breaches of behavior because they are all too fresh in your memories.

In the light of these reflections, it may repay us to review briefly what we have done to impair the leadership of these non-political groups of which I have spoken. In the decade before our entry into the war the political party then wielding power in both the executive and legislative branches of government and finally, I regret to say, in the judiciary, stood for policies generally that glorified government as the agency most concerned with, and responsible for the people's welfare. The concept underlying our political system had always been that the government was the servant of a strong, self-reliant, resourceful people and as such looked to the people for financial support. But during the political era of which I speak we developed the "big government" concept and took long steps toward the paternalistic or "welfare state." This concept is the very antithesis of our previous concept and if we are not well on our guard will in time destroy our system of self-government. With incentive destroyed and ability thwarted, the so-called welfare state leads to the police state. America has and will continue to take care of those in need but we must not promote or perpetuate the causes of poverty and need. We must diligently strive to prevent these causes. During the war taxes were carried to an extreme which we can, without great exaggeration, call confiscation. I make no complaint about this in war time though I think there were less unjust methods of financing our war effort if we had been willing to surrender the objective of effecting social changes during the conflict.

Resistance to Tax Reduction Shocking

But the point I wish to make tonight is this: Now that the conflict is at an end and there is vital need of a rehabilitation of our social and political system, the resistance to a reduction of war time taxes is a shocking exhibition of heedless leadership. It is heedless because in these days, when production in an impoverished world is of such overwhelming importance, our taxation structure places a penalty upon the added effort that should so obviously be encouraged. To the leaders especially, of whose initiative and energies we are so much in need just now, our system of taxation holds out sharply diminishing returns for added effort. The resistance to a reduction in wartime taxes which has come from our executive branch is heedless because it ignores the stimulative value which would result to our economy. It is heedless because it ignores the well known fact that a reduction in tax rates, so far from diminishing government revenues, will in the long run actually increase them by giving impetus to production.

Active hostilities in World War II ceased nearly two years ago but we continue to pay enormous taxes. For the fiscal year ending June 30, 1947, it is estimated that total receipts to the Federal Government will amount to $40,000,000,000. This is over $3,000,000,000 greater than the total net debt of the Federal Government and its agencies in 1940 after years of profligate spending and deficit financing. It is over a quarter of a million dollars in excess of the total national income in 1932.

If receipts to the forty-eight states and their local governments are included it is probable that the total bill runs in the neighborhood of 55 billion dollars a year. This is almost equal to the total national income in the year 1935.

The total income payments to individuals last year (1946) was estimated to amount to more than $160,000,000,000. Since taxes are eventually paid by individuals, this means that about 34% of our income goes to the support of government. To put it a little differently each individual on the average spends nearly 14 hours out of his 40-hour work week in support of government.

Stubborn Opposition to Budget Reduction

Of a piece with the resistance to a reduction in our tax rates is the resistance to a reduction of the government budget. In our scheme of government we have every reason to expect the executive branch to take the initiative in the economical administration of our governmental affairs. But instead of initiative we have had stubborn opposition. I am fully convinced that if we had the benefit of executive cooperation in the effort to reduce the budget we could, in spite of our heavy debt load, reduce our Federal expenditures to a maximum of 25 billions.

I make this statement, of course, without knowing where our recently adopted policy of checking the expansionist ambitions of Russia will eventually lead us, and I don't know how business today can plan its future or mobilize for world leadership until it knows what tax and budget structure it will be called upon to face in the future. To that end I ask that the Secretary of State prepare and file with the American public statement of requests and demands that have been filed with this country for financial aid by other countries together with his best estimate of the requests for appropriations which he believes will be filed with Congress.

Greek-Turkish Credit a Step In the Dark

Because I didn't then have that information, I cast a negative vote in the Senate on the question of advancing $400,000,000 to Greece and Turkey. I did so because I felt before we took this first step we should consider where the next steps would lead us. We understood that we would be asked to take further steps but those steps led into the darkness. We are still being subjected to the political techniques with which we have already been made familiar of placing before the American people one step of an important program at a time. It is evidently considered that if the entire picture is presented the risk of an adverse reaction by the American people will be greatly enhanced.

I did not object to this so-called loan because of the objective, belatedly adopted, of protecting the political and territorial integrity of other countries from the expansionism of Russia. I am as strongly in favor of the objective as are those who supported the program, or this first step in the program. Before we adopt an objective, however worthy, as our national policy we ought to consider our ability to carry it out. The great unanswered question is whether or not our resources are sufficient to carry out the program in all of its undisclosed proportions.

The extreme danger is that we shall undertake too much. With a debt load of over $258 billion and the vast expenditure of our natural resources during the war, it is of extreme importance that this country be highly selective in further implementing the program. There is still much we are obliged to do for the peoples of other countries for sheer relief of human suffering and much that we are probably justified in doing for strategic reasons. Let us hope, in spite of justified doubt, that we have chosen a path that will lead to the lasting security of our own country and to world peace.

As I have already indicated my deep concern is with the future economic, social and political health of our own country. And now that we have embarked upon the program of coping with the expansionist ambitions of Russia, it becomes more essential than ever that we free the energies of our people for the job of increased production which such a program entails. One of the difficulties standing in the way of the people of Europe and others in effecting their own recovery are political shackles imposed both by internal and external forces interested in establishing regimes of absolutism. The people of Europe would soon go to work and resume their trading if agreements could be reached and they were freed of their political shackles and permitted reasonable rewards for their work.

My plea is for the removal of shackles here. I ask for the removal of the shackles that have long kept industrial leaders from effective management of their plants. I ask for the removal of the shackles from our working people that have bound them to labor autocrats motivated by hunger for political power. I ask that labor monopolies be forbidden by law as industrial monopolies are forbidden by law. I ask that workers be made as free from the coercion of labor autocrats as from industrial autocrats. In short, I ask for the elimination of favoritism and restrictions in our laws that keep individuals and organizations from giving their best for the common good.

Only a strong America can lead, only a freedom loving America can inspire freedom in others. We can only lead other nations to respond to the will of their people if our own government continues to respond to the will of the people of America. And when the people of the world have freedom and self-government, the day of peace and goodwill will dawn upon a darkened and groping world.

Halsey Stuart & Co. Inc. Offers B. & O. Eq. Issue

Halsey, Stuart & Co., Inc. and associates on May 27 were awarded $6,110,000 Baltimore & Ohio RR. equipment trust, Series U, 2% equipment trust certificates, maturing $611,000 annually June 1, 1948 to 1957, inclusive. The group immediately re-offered the certificates, subject to Interstate Commerce Commission authorization, at prices to yield from 1.20% to 2.25%, according to maturity.

The Certificates, issued under the Philadelphia Plan, will be unconditionally guaranteed as to the payment of principal and dividends by endorsement by the Baltimore and Ohio RR. Company.

The Certificates will be issued to provide for not more than 80% of the cost, estimated to be $7,648,741, of the following new standard-gauge railroad equipment: eight Streamlined, lightweight, 14-roomette, four bedroom passenger sleeping cars; 2,000 50-ton open-top steel hopper cars.

With Pacific Co. of Calif.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Arthur C. Karr, Jr. has been added to the staff of Pacific Company of California, 623 South Hope Street, members of the Los Angeles Stock Exchange.

With Herrick, Waddell

Special to THE FINANCIAL CHRONICLE

LINCOLN, NEB.—John Spatz has become connected with Herrick, Waddell & Co., Inc., 55 Liberty Street, New York City.

Joins R. J. Steichen

Special to THE FINANCIAL CHRONICLE

MINNEAPOLIS, MINN.—James W. Anderson is with R. J. Steichen & Co., Roanoke Building.

Securities Dealer Says SEC Hasn't Been Much Help to Holders of Bonds of Enemy Countries

(Continued from page 7)

ket. In 1937, the Germans desired to issue another batch of such bonds but when they refused to comply with a SEC request for detailed information about German financial conditions the SEC said "no." The Germans had been and still wanted to use the device of the funding bond to pay only 45% of their total obligations to the bondholders. After issuing the funding bonds, the Germans then entered the market as buyers of the bonds, paying 45% of par. The SEC was under the impression the Germans had issued the funding bonds, so far as this country was concerned, to finance the purchase of copper and certain other war materials and supplies. Actually, however, the Germans were liquidating their debt, though their obligations had many more years to run, raising the funds through the medium of reducing coupon values. The American bondholders would have been receiving only 45% of what was due them, true, but, as it was, as the result of SEC disapproval of the German funding bonds, the American bondholders received nothing. Dollars which Germany would have used to retire debt were thus left really free for the purchase of war supplies.

Now the SEC, as evidenced by what it is doing with the Italian bonds, is expecting "full" disclosure of financial condition by the issuers before permitting the resumption of trading in their bonds. The only effect which this insistence on disclosure by the SEC can have will be to delay trading for another five years. With all the dislocations and destruction caused by the war, five years at least will be required for putting the books in order. Besides, even if the various issuers could and did comply with the SEC request almost at once, that is, on request, the reports would mean just about nothing, because the values they would quote would be stated in terms of the currencies of their particular countries. It would be just stating the uncertain value of one thing in terms of the uncertain value of something else. To get figures that could be something near 100% accurate, it would be necessary first to know what the exact values of the currencies are.

The bonds would achieve value of some dimension with the immediate resumption of trading and could thus become real collateral instead of the more-or-less worthless paper they are considered to be now. Many an American investor—and most holders of the dollar bonds are Americans—would like to see trading resumed at once in these securities. It is of no consequence to some at just what figure the bonds would be quoted just so long as they would be quoted at something. An American bondholder who needs money should be able to sell his bonds and so convert his holding into cash. Moreover, speculators would attach such value to the bonds as, in their estimation, they thought the bonds were worth. The bonds do not necessarily have to be serviced before investors can get some idea as to how much the securities may be worth. After all, the bonds, representing generally a first mortgage on capital in some form, perhaps even minerals in the ground, have a cash-in value apart from any value that may be attached to them on the basis of immediate earning capacity. The only time this would not necessarily be true would be in the case of German issuers whose properties were located within the Russian zone of influence. If suspension of trading in the bonds of enemy countries is to be continued, the suspension should apply only to the bonds of issuers within the Russian zone of influence.

It does not make much sense that the SEC should permit trading at the New York Curb, for instance, in Stinnes Industrials and City of Danzig Bonds and that it should suspend trading in German bonds. The assets of the Stinnes Industrials are all in Germany. The City of Danzig, though once a free city, was overwhelmed during the war first by the Germans and then by the Russians and is now in the hands of the Poles. Though first Lenin and now Stalin repudiated the Czarist bonds, the SEC permits trading in Czarist bonds. Unlike South American issuers, too, which could but wouldn't meet their obligations arising out of their indebtedness to American bondholders, Germany and Japan, too, for that matter, before the war gave every indication of wanting to pay American holders of their bonds what was due them. The Japanese did everything possible to maintain their credit in this country. They met their obligations to American bondholders even though that meant starving their people back home.

At pre-war figures, approximately $800,000,000 or so is tied up in German bonded indebtedness to this country. A total of 118 different German bond issues are included in this amount. The Italian bonds held by Americans number 20 other issues and the Japanese bonds number 16. The $800,000,000 figure for Germany represents the remaining portion of an original $1,524,655,000 of debt. The $800,000,000 debt is composed of $290,531,400 of government bonds of an original $358,250,000 of such obligations; $21,477,153 of an original $69,000,000 in funding bonds; $69,763,000 of an original $112,000,000 of the bonds of the various German states; $61,883,000 of an original $112,000,000 of the bonds of the various German states; $61,883,000 of an original $137,400,000 in municipals; $68,202,000 of an original $262,240,000 of government guaranteed debts of corporations, and $328,591,560 of an original $585,765,000 of bonded debt of German corporations.

Since the above article was written the following letter has come to hand on the subject in question from a "Chronicle" reader:

Editor,
Commercial & Financial Chronicle:

I happened to read your comments in the "Chronicle" of May 22nd regarding Axis Bondholders.

I felt in addition to the good points you mentioned, I might add some thought to your knowledge on the matter. For instance, when the Dawes German Government bonds were issued and sold through our local banks, the best citizens in our community invested in the bonds and I believe most are still being held.

Our government, during the recent war, asked to have such holders declare them, however, I believe many such holders never said a word, as they may have been afraid and ashamed to acknowledge ownership of such and being skeptical as to what some of the officers in power might decide in the future, besides stamping them as worthless.

The trading on such bonds should not have stopped. It was unfair to the bondholder. The bonds were sponsored by the largest banking institutions; our government must have given the go signal on such a loan at the time and interest was paid on the bonds until war was declared.

I am inclined to believe the so-called market value on any security is worth whatever the buyer and seller choose to accept or compromise in a free society.

There are dealings every day in Russian Bonds. They have not paid interest since World War I and to my way of reasoning, the risk of a loan to Germany would be far superior.

It appears Russia believes in seeing democracy decay at the roots.

I hope that the banking groups that floated these so-called Axis loans will not step aside from the present picture; see that the holders be given an assurance on the savings they loaned at the time. I happen to know of a close friend, a retired clergyman, since passed on; held 2,000 "Young" loan bonds, could not be sold legally, thereby each of the two surviving daughters are holding same for a future day to come. There are many more similar cases.

You will find that, generally, the small thrifty investor usually is meek and quiet on his investments and such could not be classed as speculators, and it is doubtful whether speculators hold many of these bonds at this time.

I would state that these meek and quiet investors in Italian and German bonds had been isolated long enough from the securities society. Besides this average type investor has and is today, a strong believer in democracy and our constitution.

In fairness to such holders, the old Axis Government bonds should be refunded at a lower rate of interest with an equal basis of security with any new loans that may be negotiated with such government in the future, I remain,

ROLAND J. WOTRING.

Bethlehem, Pa.
May 26, 1947

We Must Prevent Doom and Bust

(Continued from page 12)

—for the first time in years the rate of business failure is turning upward.

Here and there, mills are closing down, and retail sales are declining.

In the meantime, an irresponsible Congress destroyed sane controls over prices, profits, scarce materials and consumer credit, and gave us insane inflation.

An irresponsible industry group, pressing on a short-sighted government, mutilated the veterans housing program. Today we still have scarcity of housing instead of plenty. This year less than half of last year's housing results may be expected.

In the short space of a year—the glorious possibility of matching purchasing power with high production of goods has disappeared. Only by drawing on savings, by increasing consumer debt, by special financing for foreign trade, has the dangerous gap been partly bridged.

Republicans and Southern Democrats the Villains

A reactionary majority of Republicans and southern Democrats has done a major injury to responsible capitalism,—because a responsible capitalism cannot countenance inflation, scarcity and unconscionable profits.

Given the possibility of approaching business decline and unemployment — what does the majority in Congress propose to do?

It proposes to lay in President Truman's lap a flock of anti-liberal, deflationary measures and then go home. It proposes to leave the welfare of this country to a discredited policy of laissez faire.

Faced with a month-to-month decline in construction activity—they side-track the mild Taft-Ellended-Wagner Bill—and offer as a solution to let landlords raise their rents.

Faced with a demonstrated disastrous decline in workers' real wages—the reactionary Congress proposes an anti-liberal bill to coerce labor from exercising their economic bargaining power.

Every evidence points to the need of additional purchasing power. Mr. Knutson and his gang proposes to lower taxes for the well-to-do — thus reviving the outworn Hoover trickle-down theory.

Do the Republicans have a formula for inflated prices? Well, hardly. They have a Dun and Bradstreet questionnaire which they will file in the back room when they go home in July.

Every major measure they propose can be demonstrated to be deflationary. Had a group deliberately set out to choose a program for deflation, it could scarcely have selected a better calculated set of ideas.

We of the liberal faith cannot accept the fatalistic boom and bust thesis. Every sinew of our faith tells us that by intelligent choices, by democratic planning, a responsible government can defend its people against depression.

The ADA Program

AMERICANS FOR DEMOCRATIC ACTION has a program.

It suggests that a determined government, utilizing a Price Adjustment Board, help American business to reduce the level of prices by 10%, and the cost of construction by 20%.

ADA proposes that rent control be continued—that adequate funds for enforcement be supplied.

ADA suggests that the government keep its wartime commitments for support of farm prices, that the school lunch program be expanded, and that the Aiken Food Allotment Bill be passed. It recommends a planned procurement of food for foreign relief and wise use of surpluses.

As to taxes—the ADA strongly urges that, when taxes can be cut, they be made where the greatest amount of vigorous purchasing power will result. Raising the individual exemption from $500 to $700, and repeal of the burdensome excise taxes, will leave money at home in the right homes.

Industry and labor, by collective bargaining in key industries, have established a new workable "wage package" of 15 cents an hour. ADA suggests that this is a useful standard for rapid adoption. We suggest, too, that the minimum wage floor be raised to 65 cents an hour, and coverage expanded to the limit of Federal power. There are 14,000,000 workers not now covered by unemployment compensation. We suggest that these be brought in, that the scale and duration of payments be increased.

More Foreign Lending

ADA believes that the lending authority of the Export Import Bank should be increased $5 billion, so that useful tasks in world reconstruction may be promptly begun.

ADA regards the potential of housing construction as most vital to high employment, as well as the keeping of commitments to veterans. We urge the Federal Government to underwrite 1½ million housing units a year, that the program for factory-built houses be revived, and that public housing be authorized to provide 500,000 rental units a year at modest rents.

This is a positive program for progressives — it's a workable, feasible program for America. It involves no new adventures—the administrative machinery for most of it stands ready at hand, eager to do battle against the false philosophy of fatalistic "doom and bust."

Italian Blocked Accounts

The Treasury Department announced on May 20 that it is prepared, in appropriate cases, to grant licenses for payments to creditors of business organizations and individuals in Italy from blocked accounts in this country in which the debtors have an interest. The advices stated:

"In announcing this step, Treasury Department officials pointed out that this announcement is a necessary preliminary to the establishment of any procedure for the release of Italian blocked assets in the United States. In this connection, Treasury Department officials referred to the letter of April 15, 1947, from Acting Secretary of State Acheson to Senator Vanderberg, which was subsequently made public, wherein it was stated that the policy of the United States is directed toward the release or return of Italian property in the United States which is blocked or has been vested.

"It was stated that, in general, an application for such a license should be supported by a payment instruction or other acknowledgment by the debtor executed after Sept. 3, 1943, the date of the Armistice with Italy. If an application is based on a court judgment, evidence should be submitted that the debtor has received actual notice of the proceedings and has had a reasonable opportunity to appear."

With Atlas Securities

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, CALIF.—Lynn P. Walker has been added to the staff of Atlas Securities, Inc., 133 North Robertson Boulevard. Mr. Walker was previously with Wagenseller & Durst.

With Stoetzer Faulkner

Special to THE FINANCIAL CHRONICLE

DETROIT, MICH.—Edward F. Bredow has been added to the staff of Stoetzer, Faulkner & Co., Penobscot Building, members of the Detroit Stock Exchange.

Guy de Simone, Director

Guy de Simone was elected a director of the United Piece Dye Works of New Jersey. Mr. de Simone is associated with the Security Adjustment Corporation in Brooklyn, N. Y.

With Allen C. Ewing & Co.

Special to THE FINANCIAL CHRONICLE

JACKSONVILLE, FLA. — William A. Partain has become associated with Allen C. Ewing & Co., Barnett Bank Building.

With Goodbody & Co.

Special to THE FINANCIAL CHRONICLE

CHICAGO, ILL. — Goodbody & Co., 105 West Adams Street, members of the principal stock exchanges, have added Robert B. Jarchow to their staff.

With Minot, Kendall Co.

Special to THE FINANCIAL CHRONICLE

BOSTON, MASS. — James D. Clark is now with Minot, Kendall & Co., Inc., 15 Congress Street, members of the Boston Stock Exchange.

With P. W. Brooks & Co.

Special to THE FINANCIAL CHRONICLE

SPRINGFIELD, MASS. — A. Linton Bausman is now connected with P. W. Brooks & Co., Inc., 1570 Main Street.

Joins Ted Weiner & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — George T. Mingers is with Ted Weiner & Co., 41 Sutter Street.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Market picture still one of lower prices. Possible sharp rally in near future likely.

Another week has passed and we are still no closer to the answer of what the market will do than we were last week. Part of the forecast made here in the previous column has materialized. Prices did turn around and go up and dullness followed. At least it did on Monday. What will happen the rest of the week, or before the next column is written, is in the lap of the gods.

If you will re-read last week's column you will see that it said that an increasing short interest would bring about a rally, followed by dullness and then another reaction. Signs of the latter were seen during part of Monday's market. They can be either intensified or emphasized by succeeding days' markets. I don't, for example, think they can be dissolved into thin air.

It has occurred to me that readers of these columns might be impatient and want to do something, anything. If there are, my advice to them is to look elsewhere for advice or guidance. The desire to do something is usually the best reason to do nothing, at least where the stock market is concerned. I prefer to buy and sell, or advise others to buy and sell, when the tape is active and volume is good. It is then that the market is constantly saying something. If it isn't about one stock, it is about another. If it isn't one group, it is another. I don't have to probe and peer or use a crowbar to find out what's going on. It is also one of the reasons why I usually stick to more or less active issues when I do recommend participation. A stock which appears frequently on the tape is a stock it isn't too difficult to get into or get out of. I am aware that stocks with limited floating supply sometimes put on a show that can be worth a good deal of money. I am also aware that these same stocks can drop out of sight just as rapidly and unless you can stand by and watch it drop five points between sales and get quotations that may be 10 points apart, it is no stock for you.

Right now you are all in cash. I don't think that is a particularly gratifying position to be in. There are times when cash is preferable to securities, and the other way 'round. This isn't the time to be in cash. But neither is it the time to be in stocks. If the time element and the mechanics of trading permitted it, I would say that a short position close to present levels, or a few points higher, should have its advantages. Selling short on a daily basis, however, is difficult enough without trying to guide it on a weekly basis. So the conclusion will have to be that for the time being no new long positions will be advised.

How soon this outlook will change is difficult to say. The basic trend indicated some time ago hasn't veered a particle. Day to day movements occasionally becloud the underlying factors. They don't change them. The hopes are high that a lower tax bill will put new life into business. Hopes are equally high that a new labor bill will bring a new resurgence into an anemic stock market.

These are the hopes. The facts as reflected by the market don't agree. It is no secret that a Republican Congress is after a lower tax measure, or a new law affecting labor. It is also no deep secret that the chances of obtaining both are better than even. Still, a market which is given to anticipation rather than to reflection is saying that things are not going to be better. Maybe in its own way it is a warning that lower taxes or other new measures are not the answers. But whatever it is, the followers of the daily papers would do well not to depend too much on a Congress to set the wheels of a market rally going again.

More next Thursday.

—Walter Whyte

[*The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.*]

Distortions in Price Structure

(Continued from page 13)

living results primarily from higher prices of raw materials entering into food and clothing.

"Cost of manufactured goods which importantly influence prices are, under existing circumstances, largely frozen by the inflexible component of wage rates. Prices of components purchased by one manufacturer from another are largely frozen because of the rigid wage rates in the costs of suppliers. The national wage pattern of 1946 has resulted, generally speaking, in an increase of the price level of manufactured goods. It was inescapable that that should be so. Further increases taking the form of a national wage pattern will follow the same general course, though modified at the expense of profits.

"When the demands of the moment are satisified, unless production can be maintained at current levels quite generally throughout the economy, reduced business volume will make current prices incompatible with the maintenance of reasonable profits. Such a pattern will be modified to the degree that production efficiency is increased by advancing technology or higher worker effectiveness.

"Everybody familiar with the automobile, and that is everyone in this country, recognizes the fact that the automotive industry has exercised the highest standards of leadership in offering a progressively higher value for the consumer's dollar. Prices during the prewar years increased, but values increased to a far greater degree in terms of the automobile itself in relation to the price.

The concept of the industry from its inception, vigorously prosecuted over the years, has been maximum possible volume based on the incentive of the lowest possible consumer price, giving consideration to equitable wage rates in terms of worker productivity, fair prices to suppliers, equitable dividends to stockholders, and some profits retained in the business for improvement and expansion. Consistent with this concept, hundreds of millions of dollars have been reinvested in the business in the form of improved instruments of production; tens of millions of dollars have been spent in research; cooperation with suppliers of parts and materials has resulted in economies in first cost and in more efficient manufacturing processes. All has been directed to the maximum capitalization of technological progress.

As a result of such a concept and its aggressive administration the automotive industry has become the most important producer as measured by almost any yardstick. But more importantly through its policy of maximum production, through minimum prices, it has so integrated its products into the daily conduct of affairs as to become an indispensable factor in the American way of living. Such is the record! And it is clear that the industry should follow in the future the pattern which has made it what it is.

"We hear much discussion at the moment about business profits. That they are excessive. That they will contribute to a recession of business. That they should be reduced by lowering prices and increasing wages. But little is heard about wage rates being high in terms of comparative productivity. And yet wages since the war ended have done more to promote existing distortions in the system than any other single factor. To my way of thinking, such promotional and emotional efforts have little economic justification. All values today are in a state of flux, both in general and in relation to each other. It is natural that that should be so after what has happened.

"There is, according to my point of view, just one right attack on the problem. And that is to recognize the fundamental fact that the essential adjustments can and will only be brought about by the pressure of goods on prices and not by the pressure of propaganda on economic relationships. Figuratively speaking it is the cash register of the country reflecting hundreds of millions of transactions that validates wages, prices and business volume, and justifies profits in a free competitive economy. And the more interferences are kept out, the sooner the essential adjustments will be accomplished.

"There is much discussion at the moment as to the possibility of a more or less important recession in business activity. There is no question but that the existing distortions in the price structure are a source of danger causing a feeling of insecurity. These distortions are sure to be corrected in time by the normal influence of competition as production increases with the resulting pressure on out-of-line prices. The principal questions are: How soon will this take place? And can it be avoided without curtailment of production, reduced employment and lower national income? It would appear that the existing high level of activity and relatively strong demand in the durable goods industries might well provide the means of supporting the economy while the process of correction is taking place. Let us hope this will be so."

Stresses Fear of High Profits Unwarranted

(Continued from page 11)

earnings to stockholders by a special tax on undistributed profits. Government officials received and exercised new powers over credit and currency.

"Many of these measures—particularly the higher tax rates and the one-sided labor legislation—were direct blows at actual and prospective profits. Their effect, according to the over-saving theory, should have been to divert income from business concerns and the owners of capital, who would have allowed them to lie in partial stagnation, into other hands where they would be spent for goods and services and thus strengthen demand for the products of industry. Their actual effect was to stifle enterprise and prolong the depression. While the government poured billions into the income stream, private capital markets, and particularly the markets for 'risk' capital, remained lethargic. While the volume of bank deposits rose, their velocity of circulation declined. While the national debt increased, unemployment continued at levels never before experienced. Artificial stimulants proved ineffective, because the increased costs and risks of doing business were out of proportion to the diminished opportunities for profit.

"Now, apparently, the attack on profits, inspired by the over-saving theory, having signally failed to achieve its purpose before the war, is being resumed in an effort to head off a hypothetical postwar depression before it begins.

"It is an economic truism that money saved is ordinarily spent as truly as is money laid out for the purchase of goods for consumption. When savings are invested in corporate securities, for example, they are in effect spent for the purchase of industrial plant, equipment, inventories and other assets. When they are invested in government bonds, they are spent for national defense, public works, the services of government officials and the other purposes for which the government spends money. When they are deposited in banks or invested in life insurance, the same sort of investment takes place at one remove: the investment is made by the bank or the insurance company instead of the individual saver. When a corporation saves a part of its earnings instead of distributing it as dividends, it does so for the purpose of expanding its operations—that is, of buying new plant, equipment and other forms of property for use in its business.

"In all these cases, the saved money reenters the income stream, is paid out again to workers, investors and other recipients of income, and plays the same part in maintaining production and employment as if it were spent for food, clothing, housing or other goods and services for consumption. The only form of saving of which this is not true is hoarding.

"Under normal and healthy economic conditions, the amount of hoarding is negligible. Hoarded money is a non-earning asset that represents a loss of potential income to its owner. This is as true of the financial institutions that lend and invest the funds entrusted to them by others as it is of the individuals and business concerns that invest their own money. Financial institutions normally hold only enough cash reserves to meet legal requirements and current obligations. They prefer to keep their funds at work, simply because it is unprofitable to do otherwise.

The Present Situation

"It seems most unlikely that there is any lag at present in the rate at which profits are being spent. On the contrary, all the available evidence points in the opposite direction. Business concerns have been reducing rather than increasing their holdings of liquid assets. Commercial bank loans have been increasing. New securities have been issued in large amounts. Many industries are in need of additional plant and equipment; and the same may well be true of inventories, despite the increases in recent months. All indications point to an active flow of funds into investment channels.

"It is possible, of course, for profits to be too high, just as it is possible for them to be too low. The condition to be desired is a balanced relationship among profits, prices and wages—a relationship that tends to produce high and stabilized production, employment, consumption and investment over the long term. Just what constitutes such a relationship at any particular time is beyond the wisdom of any individual or group to determine. The only safe verdict in the long run is that rendered by competition in free markets.

"These remarks are not intended as criticisms of the desire of government officials to promote price stability or of the legitimate aspirations of workers for more pay. They are intended merely to point out that arguments for lower prices or higher wages, in so far as they are based on the fear of high profits, are unwarranted by the facts and reflect a dangerous misconception of the role of profits in a free-enterprise system.

"While it is frequently and correctly pointed out that production and employment are limited by the total volume of demand, it is too often forgotten that profits are the active force by which the demand gives rise to the production. Demand does not create production automatically. It results in production only when and in so far as it promises a market profitable enough to justify risks, repay costs and attract capital."

Securities Now in Registration

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Acme Electric Corp., Cuba, N. Y.
June 26 filed 132,740 shares ($1 par) common stock. Underwriters—Herrick, Waddell & Co., Inc., and First Colony Corp. **Offering**—To be offered publicly at $5 a share. **Proceeds**—Company will receive proceeds from the sale of 68,880 shares and four selling stockholders the proceeds from the sale of 63,860 shares. Company also will receive proceeds from the sale of 20,000 warrants for common stock to underwriters at an aggregate price of $200. Of the net proceeds ($292,940) $50,000 will be used to pay current bank loans; about $20,000 will be used for machinery and equipment, and the remainder for working capital.

● **Alexander Drug Co., Oklahoma City, Okla.**
May 23 (letter of notification) 1,500 shares ($100 par) common and 1,000 shares of 4½% cumulative preferred. **Price**—$110 a common share and $100 a preferred share. No underwriting. To finance expansion program.

● **All-American Drinks Corp., New York**
May 22 (letter of notification) 25,000 shares ($1 par) stock. **Price**—$2.50. **Underwriting**—None. Advertising and exploitation of product, etc.

● **Allied Finance Co., Dallas, Texas**
May 26 filed 25,000 shares ($20 par) 5% cumulative convertible preferred. **Underwriting**—None. **Offering**—To be offered to present stockholders in the ratio of one share for each two shares of common held. **Price**—$20 a share. **Proceeds**—To retire present indebtedness. **Business**—Finance business.

● **Amazon Mining Co., Coeur d'Alene, Idaho**
May 23 (letter of notification) 100,000 shares of common. **Price**—25 cents a share. To be sold through directors of company. For mine development.

American Broadcasting Co., Inc., N. Y.
June 27 filed 950,000 shares ($1 par) common stock. Underwriter—Dillon, Read & Co. Inc., New York. Offering—A maximum of 100,000 shares may be sold by company to persons, firms, or corporations with whom the corporation had network affiliation agreements on March 31. The remainder will be offered publicly. Price by amendment. Proceeds—To prepay notes payable to acquire radio station WXYZ, to construct broadcast transmitter for station KGO at San Francisco and for working capital.

American Cyanamid Co., New York (6/26)
May 13 filed 391,076 shares ($100 par) cumulative preferred, Series A. **Underwriter**—White, Weld & Co., New York. **Offering**—To be offered for subscription by common stockholders of record June 10 on the basis of one share of new preferred for each seven shares of common held. Rights expire June 25. Price by amendment. **Proceeds**—To redeem outstanding 5% cumulative preference stock and to finance expansion program.

● **American Gold Corp., Pony, Mont.**
May 19 (letter of notification) 200,000 shares of common. **Price**—$1 a share. **Underwriter**—Lewis F. Stanley, San Francisco, Calif. For mining exploration and development.

American Machinery Corp., Orlando, Fla.
Mar. 31 filed 133,000 shares (50c par) common, of which 10,000 will be offered to officers and key employees. **Underwriter**—Townsend, Graff & Co. and Gearhart & Co., Inc. **Price**—$3.50 per share. **Proceeds**—For general corporate purposes including reduction of bank loans and outstanding notes.

● **American Safety Devices, Inc., Reno, Nev.**
May 22 (letter of notification) 2,500 shares of common. **Price**—$10 a share. To be offered through president of company. For operation of business.

American Telephone & Telegraph Co. (6/3)
May 16 filed $200,000,000 40-year debentures, due 1987. **Underwriting**—To be sold at competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Proceeds**—To finance the company's construction program and that of its subsidiaries and associated companies. **Bids Invited**—Bids for purchase of the bonds will be received at company's office, 195 Broadway, New York up to 11:30 a.m. (SDT) June 3.

American Water Works Co., Inc., N. Y.
March 30, 1946 filed 2,343,105 shs. of common (par $5) plus an additional number determinable only after the results of competitive bidding are known. **Underwriters**—To be filed by amendment. Probable bidders include Dillon, Read & Co. Inc., White, Weld & Co., and Shields & Co. (jointly), and W. C. Langley & Co. and The First Boston Corp. (jointly). **Offering**—Price to public by amendment.

American Zinc, Lead & Smelting Co., St. Louis
Sept. 6 filed 336,550 shares common stock (par $1). **Underwriting**—No underwriting. **Offering**—Stock will be offered for subscription to common stockholders in the ratio of one additional share for each two shares held. Unsubscribed shares will be offered for subscription to officers and directors of the company. **Price**—By amendment. **Proceeds**—Working capital. Offering indefinitely postponed.

● **Anchorage Homes, Inc. (5/29)**
May 22 (letter of notification) 29,950 shares of 4½% cumulative convertible preferred. **Price**—$10 a share. **Underwriter**—Andre de Saint-Phalle & Co., New York. For working capital.

Armour and Co., Chicago
July 12 filed 350,000 shares (no par) cumulative first preference shares, Series A; 300,000 shares of convertible second preference stock, Series A, and 1,355,240 shares common stock (par $5). **Underwriting**—Kuhn, Loeb & Co., New York. **Offering**—The 350,000 shares of first preference stock will be offered in exchange to holders of its 532,996 shares of $6 cumulative convertible prior preferred stock at the rate of 1.4 shares of first preference stock for each share of $6 prior preferred. Shares of first preference not issued in exchange will be sold to underwriters. The 300,000 shares of second preference stock will be offered publicly. The 1,355,240 shares of common will be offered for subscription to common stockholders of the company in the ratio of one-third of a new share for each common share held. Unsubscribed shares of common will be purchased by the underwriters. **Price**—Public offering prices by amendment. **Proceeds**—Net proceeds will be used to retire all unexchanged shares of $6 prior stock and to redeem its outstanding 7% preferred stock.

George Eastwood, President, in letter to stockholders, Dec. 22 said "we have come to the conclusion it will not be necessary to issue any additional shares of common stock" as part of company's refinancing plan.

● **Associated Music Press, Inc., Chicago**
May 19 (letter of notification) 500 shares each of $100 par preferred and $10 par common. To be sold at par. No underwriting. For additional equipment and to finance initial operations.

Atlantic City (N. J.) Electric Co.
March 19 filed 522,416 shares ($10 par) common, being offered by American Gas & Electric Co. **Underwriters**—To be determined by competitive bidding. Probable bidders include: The First Boston Corp., and Drexel & Co. (jointly); Shields & Co., and White, Weld & Co. (jointly); Dillon, Read & Co., Inc., and Smith, Barney & Co. (jointly); Blyth & Co., Inc.; Union Securities Corp. **Price**—To be determined by competitive bidding. **Proceeds**—The offering is part of American's plan to dispose of its holdings of 1,150,000 outstanding shares of Atlantic City. The shares remaining after the public offering will be distributed as dividends on American's common stock. This dividend policy will become effective June 15 and will continue to the end of 1948.

Bearings Co. of America, Lancaster, Pa.
May 8 filed $500,000 of first mortgage 4½% serial convertible bonds and 60,000 shares ($1 par) common. **Underwriters**—Dempsey-Tegeler & Co. and J. W. Brady & Co., St. Louis, Mo. Price by amendment. **Proceeds**—To repay bank loan and for general working funds.

Beaunit Mills, Inc., New York
Sept. 27 filed 180,000 shares ($2.50 par) common. **Underwriter**—White, Weld & Co., New York. **Price**—By amendment. **Proceeds**—Of the total, 140,000 shares are being sold by St. Regis Paper Co., New York, and the remaining 40,000 shares are being sold by I. Rogosin.

Beech Aircraft Corp., Wichita, Kan.
May 2 filed $2,000,000 of 4½% convertible sinking fund debentures (subordinated), due 1957. **Underwriter**—Blair & Co., Inc., New York. Price by amendment. **Proceeds**—To be added to working capital and used to finance airplane production program. **Business**—Manufacture of airplanes.

Benrus Watch Co., Inc., New York
April 24 filed 150,000 shares ($1 par) common. **Underwriter**—Hayden, Stone & Co., New York. Price by amendment. **Proceeds**—The shares are being sold by five officers of the company who will receive proceeds.

Berbiglia, Inc., Kansas City, Mo.
Sept. 12 (letter of notification) 41,000 shares of 5% cumulative convertible $6 par preferred. Offering price $6 a share. **Underwriter**—Estes, Snyder & Co., Topeka, Kans. To pay outstanding indebtedness and expenses and to open five additional stores in Kansas City, Mo. Offering postponed indefinitely.

Berkey & Gay Furniture Co., Grand Rapids, Mich.
Feb. 3 filed 733,575 shares ($1 par) capital stock. **Underwriting**—None. **Offering**—Company said all of the shares are issued and outstanding. The purpose of the registration statement is to enable holders to effect sales by use of the prospectus.

Berkey & Gay said the shares had been sold in 1944 and 1945 to a group of about 50 persons who represented they were purchasing the shares for investment and not for distribution.

So far, 231,204 shares have been sold in the open market and the Commission had raised the question as to whether such sales had the effect of making the entire offering public. The Commission staff stated that registration is required if any of the remaining 733,575 shares are to be sold. **Price**—At market. **Proceeds**—Go to selling stockholders.

Bird Machine Co., South Walpole, Mass.
May 15 (letter of notification) 20,000 shares of (no par) common. **Price**—$12.50 a share. To be offered for subscription to common stockholders of record on May 12, 1947, on the basis of one addtional share for each five shares held. Unsubscribed shares will be offered publicly. No underwriting. For additional working capital.

Blumenthal (Sidney) & Co. Inc., New York
Aug. 30 filed 119,706 shares (no par) common and subscription warrants relating to 30,000 shares thereof. **Underwriting** — None. **Proceeds** — For reimbursement of company's treasury for funds expended in redemption of 3,907 shares of 7% cumulative preferred on April 1, and for funds deposited in trust for redemption on Oct. 1 of remaining preferred shares. Although it was proposed to offer the stock for subscription to stockholders at $10 per share, company on Sept. 20 decided to withould action.

Boston Store of Chicago, Inc.
Sept. 10 filed 30,000 shares ($50 par) 5% cumulative preferred and 500,000 shares ($1 par) common. **Underwriters**—Paul H. Davis & Co. and Stroud & Co., Inc. **Offering** — Preferred will have non-detachable stock purchase warrants for purchase of 30,000 shares of common stock of the total common, 375,000 shares will be offered for sale for cash. 30,000 shares are reserved for issuance upon exercise of warrants attached to preferred and 95,000 shares are reserved for issuance upon exercise of outstanding warrants. **Price** — By amendment. **Proceeds**—Net proceeds, together with other funds, will be used to pay the company's 2% subordinated note in the principal amount of $5,268,750 and accrued interest. Offering date indefinite.

(Continued on page 50)

NEW ISSUE CALENDAR

(Showing probable date of offering)

May 29, 1947

Anchorage Homes, Inc.—Preferred

June 2, 1947

General Controls Co.—Pref. and Common

June 3, 1947

American Tel. & Tel. Co. 11:30 a.m. (EDT)—Debentures
Calif. Electric Power Co., 11 a.m. (EDT)—Preferred
Nopco Chemical Co.—Preferred

June 4, 1947

Glatfelter (P. H.) Co.—Preferred

June 5, 1947

Chicago Milwaukee St. Paul & Pacific RR.—Conditional Sale Agreement

June 9, 1947

Michigan Consolidated Gas Co. 11 a.m. (EST)—Bonds
Great Northern Ry.—Conditional Sale Agreem't

June 10, 1947

California Electric Power Co.—Pref. and Common
Consolidated Edison Co. of N. Y. Inc. 11 a.m. (EDT)—Bonds

June 16, 1947

Coast Counties Gas & Electric Co.—Preferred

June 19, 1947

Wheeling & Lake Erie Ry.—Equip. Trust Ctfs.

June 24, 1947

New York Telephone Co. 11:30 a.m. (EDT)—Debentures

June 26, 1947

American Cyanamid Co.—Preferred

(Continued from page 49)

Bowman Gum, Philadelphia

Sept. 27 filed 268,875 shares ($1 par) common. Underwriter—Van Alstyne, Noel & Co., New York. **Price—$7.125 per share. Proceeds—Stock is being sold by shareholders who will receive proceeds.**

Brayton Flying Service, Inc., Robertson, Mo.

March 24 (letter of notification) 50,000 shares ($1 par) 27½ cent cumulative, convertible preferred and 50,000 shares (10c par) common. **Price—$5 per unit, consisting** of one share of each. **Underwriter**—White and Co., St. Louis, Mo. For expansion of operating **facilities and for working capital.**

Brooklyn (N. Y.) Union Gas Co.

May 3 filed 70,000 shares of cumulative preferred stock ($100 par). Underwriters—To be filed by amendment. Bids Rejected—Company July 23 rejected **two bids received for the stock.** Blyth & Co., Inc., **and F. S. Moseley & Co. and associates submitted a bid of 100.06 for a 4.30% dividend.** Harriman Ripley **& Co. and Mellon** Securities Corp. bid 100.779 **for a 4.40% dividend. Indefinitely postponed.**

California Electric Power Co. (6/3)

May 5 filed 80,000 shares ($50 par) preferred stock. **Underwriting**—To be determined by competive bidding. Probable bidders include Dean Witter & Co.; Blyth & Co., Inc.; Otis & Co. **Proceeds**—To finance expansion and improvement program. **Bids**—Company is inviting bids to be submitted to it at Bankers Trust Co., New York up to 11 a.m. (EDT) on June 3 for the purchase of the stock.

California Oregon Power Co. (6/10)

March 26 filed 60,000 shares ($100 par) cumulative preferred and 408,000 shares ($20 par) common. **Underwriters**—To be determined by competitive bidding. Probable bidders include: First Boston Corp. and Blyth & Co. Inc. (jointly); Merrill Lynch, Pierce Fenner & Beane and Harriman, Ripley & Co. (jointly). California Oregon will sell all of the preferred and 18,000 shares of the common, Standard Gas & Electric Co. (parent,) will sell the remaining 390,000 shares of common. **Bids**—Bids for the purchase of the securities scheduled for May 20 has been postponed to June 10.

• **California Water & Telephone Co., San Fran.**

May 22 filed 15,200 shares ($25 par) common. **Underwriters**—Blyth & Co., Inc., San Francisco; and H. M. Byllesby and Co. and Central Republic Co., both of Chicago. Price by amendment. **Proceeds**—To finance new construction.

Canadian Breweries Ltd., Toronto, Canada

May 14 filed 200,000 shares (no par) common stock. Underwriting, none. **Offering**—To be offered to common stockholders of record June 2 on basis of one new share for each 10 shares held. **Proceeds**—For general funds to finance expansion program of company and Canadian subsidiaries or to reimburse treasury for expenditures already made.

• **Capper Publications, Inc., Topeka, Kans.**

May 28 filed $2,000,000, series 6, 4% first mortgage 5-year bonds, and $2,000,000, series 7, 5% first mortgage 10-year bonds. **Underwriters**—None. **Price**—At par. **Proceeds**—To finance improvement program and to redeem outstanding bonds. Balance will be added to working capital. **Business**—Publishing business.

Carpenter Paper Co., Omaha, Neb.

Mar. 31 filed 10,000 shares ($1 par) common. **Underwriting**—None. **Offering**—Shares will be offered directly to officers and employees of the company at $45 a share. Purchasers must agree not to transfer the shares for a period of five years. **Price**—$45 a share. **Proceeds**—To be added to general funds for purchase of additional equipment.

Carscor Porcupine Gold Mines, Ltd., of Toronto, Ontario

June 24 filed 400,000 shares of common stock. **Underwriter**—No underwriters. **Offering**—To the public at $1 a share in Canadian funds. **Proceeds**—For a variety of purposes in connection with exploration, sinking of shafts, diamond drilling and working capital.

Central Arizona Light & Power Co.

May 20 filed 160,000 shares ($25 par) $1.10 cumulative preferred stock. **Underwriters**—The First Boston Corp. and Blyth & Co., Inc. **Offering**—Company will offer four shares of new preferred in exchange for each share of $7 and $6 preferred. Unexchanged shares of new preferred will be sold publicly. Price by amendment. **Proceeds**—Proceeds will be used to redeem unexchanged shares of old preferred at $110 plus accrued dividends. The balance will be used to finance the company's construction program.

Central Mills, Inc., Dunbridge, O.

March 13 (letter of notification) $300,000 of first mortgage bonds. **Price**—$500 per unit. No underwriting. For retirement of preferred stock, for purchase of two alfalfa dehydrating plants from Logan County Dehydrators, Inc. and for retirement of latter's preferred stock.

Central Soya Co., Inc., Fort Wayne, Ind.

Aug. 21 filed 90,000 shares (no par) common. Underwriter—None. Offering—Common shares initially will be offered for subscription to common stockholders at rate of one share for each 7½ shares held. Unsubscribed shares will be sold to underwriters. Price by amendment. Proceeds—Working capital, etc. Offering indefinitely postponed.

Cincinnati (Ohio) Economy Drug Co.

May 16 (letter of notification) 12,000 shares ($10 par) common. **Price**—$12.50 a share. No underwriting. For retirement of bank loans and for working capital.

Claude Neon, Inc., New York

March 28 filed 223,954 shares ($1 par) common. **Underwriting**—None. **Offering**—Shares will be offered for subscription to common stockholders on basis of one share for each 10 shares held. **Price by amendment. Proceeds**—To finance airline operations and acquisition and development of oil properties. Company also plans to advance funds to Summit Airways, Inc., of whose stock it owns 61%.

Cleveland (O.) Electric Illuminating Co.

Feb. 21, filed 1,847,908 shares (no par) common. **Offering**—All of the shares are owned by The North American Co., which is offering 1,714,524 shares to common stockholders of North American of record March 19 at $15 per share to the extent of one Cleveland for every five North American shares held. Rights expire May 27. The remaining 133,383 shares are to be sold, probably through competitive sale Probable bidders include Dillon, Read & Co. Inc.; The First Boston Corp.; White, Weld & Co. and Shields & Co. (jointly); Kuhn, Loeb & Co. and W. C. Langley & Co. (jointly); Otis & Co.; Blyth & Co., Inc.; Smith, Barney & Co.. **Proceeds**—For prepayment of bank loan notes of North American.

• **Clopay Corp., Cincinnati**

May 28 filed 250,000 shares ($1 par) common. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York. **Price**—By amendment. **Proceeds**—Company is selling 35,000 shares and 215,000 shares are being sold by stockholders. Company will use its proceeds to repay bank loans, retire outstanding closed mortgage 4% registered serial bonds and to purchase plant property at Elmwood Place, Ohio. **Business**—Manufacture of paper shades.

• **Coast Counties Gas & Electric Co. (6/16-20)**

May 22 filed 140,000 shares ($25 par) 4% preferred, Series A. **Underwriter**—Dean Witter & Co., San Francisco. **Offering**—Of the total, 75,000 shares will be offered in exchange for the company's ($25 par) 5% first preferred stock on a share for share basis, plus accrued dividends on the old stock. The remaining 65,000 shares and all unexchanged shares of new preferred will be offered publicly. **Price**—$26 a share. **Proceeds**—To retire all unexchanged shares of 5% preferred and to repay $1,150,000 of short term bank loans.

Cohart Refractories Co., Louisville, Ky.

Mar. 28 filed 182,520 shares ($5 par) common. **Underwriters**—Harriman Ripley & Co., and Lazard Freres & Co., both of New York. Price by amendment. **Proceeds**—The shares are being sold by Corning Glass Works, New York, and represent 88.8% of the total outstanding common of the company.

• **Conlon-Moore Corp., Chicago**

May 19 (letter of notification) 130 shares ($1 par) common. To be sold to present stockholders at $2.50 a share. No underwriting. For additional working capital.

Consolidated Edison Co. of N. Y. (6/10)

May 21 filed $60,000,000 refunding mortgage bonds series C, due 1972. Underwriting to be determined by competitive bidding. Probable bidders: Halsey Stuart & Co. Inc.; Morgan Stanley & Co. Proceeds to redeem at 101½ company's $35,000,000 20-year 3½% debentures due 1956 and to repay $24,050,000 short-term bank loans. The balance will be added to the company's treasury. **Bids Invited**—Bids for the purchase of the securities are invited on or before 11 a.m. (EDT) June 10 at company's office, 4 Irving Place, N. Y.

Consolidated Natural Gas Co., New York

May 15 filed 545,672 shares ($15 par) capital stock. **Underwriting**—None. **Offering**—The shares will be offered to the common stockholders of record June 20 on the basis of one share for each five shares presently held. Rights will expire July 11. Price by amendment. **Proceeds**—Proceeds, together with other funds, will be used to purchase additional shares of four operating companies, Peoples Natural Gas Co. (Penna.), Hope Natural Gas Co. (W. Va.), East Ohio Gas Co., and New York State Natural Gas Corp.

Crawford Clothes, Inc., L. I. City, N. Y.

Aug. 9 filed 300,000 shares ($5 par) common **stock. Underwriters**—First Boston Corp., New York. **Price by** amendment. **Proceeds—Go to Joseph Levy, President, selling stockholders. Offering date indefinite.**

Cyprus Mines, Ltd., Montreal, Canada

May 31 filed 500,000 shares of common stock (par $1). Underwriters—Sabiston-Hughes, Ltd., Toronto. Offering—Shares will be offered to the public at 75 cents a share. Proceeds—Net proceeds, estimated at $300,000, will be used for mining operations.

Daniels & Fisher Stores Co., Denver

May 14 (letter of notification) 2,000 shares of common on behalf of Bosworth, Chanute, Loughridge & Co., Denver. **Price**—$39.50 a share. To be sold through Bosworth, Sullivan & Co., Denver.

Dayton Power and Light Co.

May 16 filed 100,000 shares ($100 par) Series A, cumulative preferred and 75,000 shares ($100 par) Series B cumulative preferred. **Underwriters**—Morgan Stanley & Co., New York, and W. E. Hutton & Co., Cincinnati, O. **Offering**—The Series A preferred will be offered on a share for share basis to holders of the company's presently outstanding 100,000 shares of cumulative preferred, 4½% series, while the Series B preferred will be sold to the public through the underwriters. The underwriters also will offer publicly unexchanged shares of Class A preferred. **Price**—By amendment. **Proceeds**—To finance construction and to redeem unexchanged shares of old preferred at $107.50 a share.

Disticraft, Inc., Chicago

May 8 (letter of notification) 15,000 shares Class B common. **Price**—At market. All or part of the securities may be sold through Bennett, Spanier & Co., Chicago, as agent. The shares are being sold on behalf of three officers of the company.

Divco Corp., Detroit

April 30 filed 34,963 shares ($1 par) common. **Underwriters**—Reynolds & Co. and Laurence M. Marks & Co., both of New York. **Price**—By amendment. **Proceeds**—Shares are being sold by a stockholder. Twin Coach Co., Kent, O., which will receive all proceeds.

• **Domingo Mining Corp., Reno, Nev.**

May 21 (letter of notification) 20,000 shares of common. **Price**—$1 a share. To be sold through licensed agents. For mine development.

Douglas Oil Co. of California, Clearwater, Calif.

March 13 (letter of notification) 11,500 shares ($25 par) 5¼% cumulative convertible first preferred. To be offered at a maximum of $26 a share. **Underwriters** — Pacific Co. of California, Cruttenden & Co., Pacific Capital Corp., all of Los Angeles; Brush Slocumb & Co., San Francisco; and Adele W. Parker, Clearwater. **To purchase 493 shares of capital stock of G. H. Cherry, Inc. out of a total of 625 such shares presently outstanding.**

Drackett Co., Cincinnati

April 28 filed 14,300 ($1 par) common shares. **Underwriter**—Van Alstyne, Noel & Co. **Proceeds**—Stock is being sold by Harry R. Drackett, President (6,929 shares) and Charles M. Drackett, 7,371 shares). **Price — By amendment.**

Duraloy Co., Scottdale, Pa.

March 12 (letter of notification) 25,000 shares ($1 par) common on behalf of the issuer, 12,500 shares ($1 par) common for the account of Thomas R. Heyward, Jr., and 12,500 shares ($1 par) common for the account of Mrs. Thomas R. Hayward, Jr. **Price**—At market (approximately $3.25 per share). **Underwriter**—Johnson & Johson, Pittsburgh, Pa., and The First Cleveland Corp., Cleveland. The company will use its proceeds for working capital.

East Coast Electric Co.

Mar. 28 filed 60,000 shares of $10 par common. **Underwriters**—To be determined by competitive biding. Probable bidders include Harris, Hall & Co. (Inc.); Otis & Co.; Kidder, Peabody & Co. The stock is being offered by East Coast Public Service Co., parent. Bids for purchase of the stock scheduled for May 19 has been postponed indefinitely.

Edelbrew Brewery, Inc., Brooklyn, N. Y.
Dec. 31 filed 5,000 shares ($100 par) 5% non-cumulative preferred. Underwriters—None. Offering—To be offered at par to customers, officers and employees of the company. Proceeds — For corporated purposes including modernization and improvement of the manufacturing plant and machinery and equipment.

● **Eldred Development Corp., Willoughby, Ohio**
May 20 (letter of notification) 600 shares of $10 par common. Price—$100 a share. No underwriting. To build model experimental airplane.

Elkhorn-Beaverhead Mines Co., Baltimore, Md.
March 12 (letter of notification) $250,000 first mortgage 10-year 5% bonds, and 250,000 shares (10 cents par) common. Price—$550 per unit consisting of $500 bond and 500 shares of common. No underwriting. For mine development.

Fairport Materials Corp., New York
April 29 (letter of notification) 2,250 shares (no par) $5 cumulative preferred and 22,500 shares (1c par) common. Price—$100.50 per unit, consisting of one share of preferred and 10 shares of common. Underwriter—Eastman, Dillon & Co., New York. To purchase machinery and equipment and for other working capital requirements.

Federal Electric Products Co., Newark, N. J.
Feb. 26, filed 150,000 shares ($1 par) common class A. Underwriter—E. F. Gillespie & Co., Inc., New York. Price—$7.25 a share. The registration states principal stockholder has granted the underwriters an option to purchase 45,000 shares of class B ($1 par) common at $7.25 a share, exercisable for a period of three years. Proceeds—Proceeds of approximately $870,000, together with $755,000 of other bonds, will be used to repay the balance of $34,000 of a property mortgage, to pay off loans in the amount of $1,295,000 to Bankers Commercial Corp., New York, and for additional working capital.

Ferguson (Harry), Inc., Detroit
Mar. 31 filed 100,000 shares ($50 par) 4¾% cumulative preferred and 250,000 shares ($1 par) common. Underwriters—F. Eberstadt & Co., Inc., New York, and Watling, Lerchen & Co., Detroit. Price by amendment. Proceeds—To equip and improve recently acquired Cleveland, O. plant. Offering postponed.

Films Inc., New York
June 25, filed 100,000 shares ($5 par) class A stock and 300,000 shares (10 cent par) common stock, of which 200,000 shares reserved for conversion of class A. Each shares of class A stock is initially convertible into 2 shares of common stock. Underwriter—Herrick, Waddell & Co., Inc., New York. Offering — To be offered publicly at $8.10 a unit consisting of one share of class A stock and one share of common stock. Proceeds—$201,000 for retirement of 2,010 shares ($100 par) preferred stock at $100 a share; remaining proceeds, together with other funds, will be used for production of educational films.

● **Food Machinery Corp., San Jose, Calif.**
May 23 (letter of notification) 215 shares ($10 par) common. To be sold at market. Underwriter — Mitchum, Tully & Co., San Francisco. Proceeds to go to holders of fractional share scrip certificates.

● **Foote Mineral Co., Philadelphia**
May 26 (letter of notification) 1,500 shares stock (par $2.50). Price—$35 per share. Underwriting—None. Stock will be distributed to employees in accordance with Employee Incentive Plan.

Franklin Mining Co., Denver
May 7 (letter of notification) 50,000 shares ($1 par) common, of which 25,000 shares will be offered at $1 and 25,000 shares at $1.25. Underwriting — Investments Supervisors, Inc., and two officers of the company. For payment of balance of property lease and mine development.

Fresh Dry Foods, Inc., Columbia, S. C.
Aug. 30 filed 450,000 shares (10¢ par) common. Underwriter—Newkirk & Banks, Inc. Offering—Of the total company is selling 350,000 shares and two stockholders, Roland E. Fulmer and Louis H. Newkirk, Jr., are selling the remaining 100,000 shares. Price—$6 a share. Proceeds—For purchase of sweet potatoes, plant expansion, additional storage facilities, research and development work and working capital.

General Controls Co., Glendale, Calif. (6/2-6)
April 24 filed 30,000 shares ($25 par) 6% cumulative preferred and 10,000 shares ($5 par) common. Underwriter—Wagenseller & Durst, Inc., and Lester & Co., both of Los Angeles. Price—$25 a preferred share and $33 a common share. Proceeds—To repay $750,000 note and for working capital.

● **General Mines Corp., Spokane, Wash.**
May 22 (letter of notification) 1,000,000 shares of Class A common. Price—12½ cents a share. To be sold through officers of company and licensed security salesmen. For development and exploration of mining property.

Glatfelter (P. H.) Co. (6/4)
May 14 filed 6,243 shares 5% ($100 par) cumulative first preferred. Underwriter—Stroud & Co., Philadelphia. Price—By amendment. Proceeds—For plant development program. In addition, company said it also proposes to sell at a later date $3,000,000 first mortgage 3½% sinking fund bonds due 1967 to the New York Life Insurance Co. and 40,000 shares of ($10 par) common to Provident Trust Co. of Philadelphia and P. H. Glatfelter, trustees for Sundry Trusts, at $12.50 a share.

Glensder Textile Corp., New York
Aug. 28 filed 355,000 shares ($1 par) common, of which 55,000 shares are reserved for issuance upon the exercise of stock purchase warrants. Underwriter — Van Alstyne, Noel & Co. Offering—The 300,000 shares are issued and outstanding and being sold for the account of certain stockholders. Company has also issued 55,000 stock purchase warrants to the selling stockholders at 10 cents a share entitling them to purchase up to Aug. 1, 1949, common stock of the company at $11 a share. Price by amendment. Offering temporarily postponed.

● **Golden Valley Winery, Inc., Akron, Ohio**
May 22 (letter of notification) 100 shares (no par) common. Price—$100 a share. No underwriting. Being sold on behalf of Lawrence Abruzzini, San Jose, Calif.

Greil Drug & Chemical Co., Pittsburgh
May 5 (letter of notification) 150,000 shares of common stock. Price—$1. Underwriter—Willis E. Burnside & Co., Inc., New York. Proceeds to buy all assets of Mid-State Pharmacal Co., Inc. of Bedford, Ind., which makes a complete line of over 150 drug items, and for additional working capital. Expected to be blue-skied in states of New York, Penn., Ohio, Indiana, Georgia and Alabama. Offering will be made to dealers by the underwriter upon the corporation securing approval from various State Securities Commissions.

Griggs, Cooper & Co., St. Paul, Minn.
Sept. 3 (letter of notification) 12,000 shares ($1 par) common. Underwriters—Kalman & Co., Inc., St. Paul. Price—$25 a share. Proceeds — For improvement and modernization program. Offering indefinitely postponed.

Grolier Society, Inc., New York
April 2, 1947 (by amendment), 30,000 shares at 4¾% cumulative preferred stock ($50 par) and 170,000 shares of $1 par common stock. Underwriters—Riter & Co. and Hemphill, Noyes & Co. Offering—Underwriters to purchase from the company 30,000 shares of preferred and 70,000 shares of common; and from Fred P. Murphy and J. C. Graham, Jr., 100,000 shares of issued and outstanding common. Proceeds—To retire $6 cumulative preferred, balance for reduction of bank loans.

Gulf States Utilities Co., Baton Rouge, La.
Jan. 20 filed 1,909,968 shares (no par) common. Underwriter—None. Offering—The shares will be offered for subscription to common stockholders of Gulf States' parent, Engineers Public Service Co., New York. The subscription basis will be one share of Gulf States stock for each share of Engineers common held. Price—$11.50 a share. Proceeds—Purpose of offering is to carry out a provision of dissolution plan of Engineers approved by the Commission.

Hartfield Stores, Inc., Los Angeles
June 27 filed 120,000 shares ($1 par) common stock. Underwriters—Van Alstyne, Noel & Co., New York, and Johnston, Lemon & Co., Washington, D. C. Offering—To be offered to the public at $5 a share. Proceeds—Company is selling 50,000 shares and stockholders are selling 75,000 shares. The company will use its proceeds to pay the costs of opening additional stores and to expand merchandise in its existing stores. Offering temporarily postponed.

Hawaiian Electric Co., Ltd., Honolulu (6/16-20)
Mar. 31 filed $5,000,000 first mortgage bonds, series F, due 1977. Underwriters—Dillon, Read & Co., Inc., New York, and Dean Witter & Co., San Francisco. Price by amendment. Proceeds—To repay $3,000,000 of short term promissory notes and to reimburse its treasury for previous construction expenditures.

Helicopter Air Transport, Inc., Camden, N. J.
March 14 filed 270,000 shares of capital stock. Underwriter—Strauss Bros., Inc., New York. Underwriters may withdraw as such. Price—$3.50 a share. Proceeds—Net proceeds will be used to pay obligations, purchase helicopters and equipment and for working capital.

Hy-Grade Supply Co., Oklahoma City
Dec. 3 (letter of notification) 54,350 shares of cumulative convertible preferred and 50,000 common stock purchase warrants. Price—$5.50 a preferred share and 2 cents a warrant. Underwriter—Amos Treat & Co., New York. It is expected that a full registration will be filed later with the SEC.

Illinois Power Co., Decatur, Ill.
June 17, filed 200,000 shares ($50 par) cumulative preferred stock and 966,870 shares (no par) common stock. Underwriters—By competitive bidding. Probable bidders include Blyth & Co., Inc.; The First Boston Corp.; W. E. Hutton & Co. Proceeds—Net proceeds from the sale of preferred will be used to reimburse the company's treasury for construction expenditures. Net proceeds from the sale of common will be applied for redemption of 5% cumulative convertible preferred stock not converted into common prior to the redemption date. The balance will be added to treasury funds. Company has asked the SEC to defer action on its financing program because of present market conditions.

Interstate Power Co., Dubuque, Iowa
May 13 filed $19,400,000 of first mortgage bonds, due 1977, and 3,000,000 shares ($3.50 par) capital stock. Underwriters—To be determined by competitive bidding. Probable bidders: Lehman Brothers; Goldman, Sachs & Co., and The First Boston Corp. (jointly); Halsey, Stuart & Co. Inc. (bond only); Harriman Ripley & Co., and Dillon, Read & Co. Inc. (stock only). Proceeds—For debt retirement, finance new construction and for working capital.

Iowa-Illinois Gas & Electric Co.
Feb. 15 filed $22,000,000 of first mortgage bonds due 1977. Underwriter—To be determined by competitive bidding. Probable bidders include Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Blyth & Co., Inc.; Harriman Ripley & Co.; Harris, Hall & Co. (Inc.). Proceeds—Part of the proceeds will be used to pay mortgage debt of $10,578,000 and balance will be added to general funds.

Jahn & Ollier Engraving Co.
Feb. 26, filed 102,000 shares ($1 par) common. Underwriter—Sills, Minton & Co., Inc., Chicago. Price—By amendment. Proceeds—The shares, which constitute approximately 48.5% of company's outstanding common stock, are being sold to stockholders.

Jewel Tea Co., Inc., New York
May 16 filed 75,000 shares ($100 par) cumulative preferred. Underwriters—Lehman Brothers, and Goldman, Sachs & Co., New York. Price—By amendment. Proceeds—To reimburse company for redemption of old preferred and added to general funds for general corporate purposes.

Kentucky Utilities Co., Lexington, Ky.
May 9 filed $24,000,000 of first mortgage bonds, Series A, due 1977, and 130,000 shares ($100 par) cumulative preferred. Underwriters—To be determined by competitive bidding. Probable bidders for securities include Blyth & Co., Inc.; The First Boston Corp.; Halsey, Stuart & Co. Inc. (bonds); Union Securities Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly) and Lehman Brothers and Lazard Freres & Co. (jointly). Offering—Bonds will be offered publicly while preferred stock initially will be offered in exchange for its outstanding ($100 par) 6% preferred and ($50 par) junior preferred. The basis of exchange will be one share of new preferred for each share of 6% preferred and one share of new preferred for each two shares of junior preferred. Shares of new preferred not issued in exchange will be sold at competitive bidding. Price to be determined by competitive bidding. Proceeds—Proceeds from the sale of new bonds will be used to redeem $21,000,000 of 4% first mortgage bonds, due 1970, at $105. Proceeds from the sale of new preferred will be used to redeem unexchanged shares of old preferred.

Kuhlman Electric Co., Bay City, Mich.
April 28 (letter of notification) 30,000 shares of 5½% cumulative preferred ($10 par). Price—$10 a share. Underwriter—White, Noble & Co., Detroit. For working capital.

La Plant-Choate Manufacturing Co., Inc., Cedar Rapids, Iowa
April 30 filed 60,000 shares ($25 par) cumulative convertible preferred. Underwriter—Paul H. Davis & Co., Chicago. Price — By amendment. Proceeds—To be added to working capital and will be used in part to reduce current bank loans.

● **Lau Blower Co., Dayton, Ohio**
May 19 (letter of notification) 14,000 shares (no par) Class B common. Being sold to employees of the company and other parties by Edgar B. Lau, President, and Marian E. Lau, Secretary and Treasurer. Price—$7.50 a share. No underwriting.

Lay (H. W.) & Co., Inc., Atlanta
April 18 filed 16,000 shares ($50 par) 5% cumulative convertible preferred and 15,000 shares ($1 par) common. Underwriter—Clement A. Evans & Co., Inc., Atlanta. Offering—All but 3,000 shares of the common will be sold publicly at $6.50 a share. The preferred will be offered to the public at $50 a share. The 3.000 shares of common not sold publicly will be offered to company officers and employees at $5 each. Proceeds—For construction of new plants at Atlanta and Memphis, Tenn. Offering indefinitely postponed.

Lerner Stores Corp., Baltimore, Md.
May 2 filed 100,000 shares ($100 par) cumulative preferred. Underwriter—Merrill Lynch, Pierce, Fenner & Beane, N. Y. Price by amendment. Proceeds—To retire 31,870 shares of 4½% preferred at $105 a share and to repay $4,500,000 bank loan. Offering temporarily postponed.

Libby, McNeill & Libby
April 30 filed 100,000 shares (no par) preferred stock. Underwriter — Glore, Forgan & Co. Offering — Stockholders of record May 19 will be given the right to subscribe to the new stock at the rate of one share of preferred for each 36 shares of common owned. Rights expire June 2. Proceeds—The money will be used to complete a plant at Sunnyvale, Calif., and for other corporate purposes. Offering temporarily postponed.

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McCormack & Co., San Francisco

April 14 (letter of notification) 25,000 shares ($1 par) common; $225,000 of 6% certificates of indebtedness and 15,300 shares ($1 par) common to be issued on exercise of the option granted by the certificates of indebtedness. The common will be offered at $1 a share and the certificates at face amount. Hannaford & Talbot will be the agent for the sale. Proceeds to be used to acquire all the assets of McCormack & Co., a going business.

Manhattan Coil Corp., Atlanta, Ga.

May 20 filed $500,000 5% serial debentures, due 1949-1957; 12,000 shares ($25 par) 5½% cumulative convertible preferred and 85,000 shares ($1 par) common. **Underwriter**—Kirchofer & Arnold, Inc., Raleigh, N. C. **Price**—The debentures at 102.507, while the preferred shares will be offered at part and the common shares at $4 each. **Proceeds**—To retire bank indebtedness and to finance purchase of machinery and other plant equipment.

Manontqueb Explorations, Ltd., Toronto, Can.

April 10 filed 300,000 shares ($1 par) common. **Underwriter**—Name to be supplied by amendment. **Price**—40 cents a share. **Proceeds**—For exploration and development of mining claims. **Business**—Mining.

Mays (J. W.) Inc., Brooklyn, N. Y.

Feb. 28 filed 150,000 shares ($1 par) common. **Underwriter**—Burr & Co., Inc., New York. Price by amendment. **Proceeds**—Of the total, 100,000 shares are being sold by seven stockholders. The remaining 50,000 shares are being sold by the company, which will use its proceeds for general corporate purposes.

• **Meadow Lake Oil Syndicate, Las Vegas, Nev.**

May 23 (letter of notification) 50 shares of $1,000 par capital stock. **Price** — $1,000 a share. To be sold through officers of company. For operation of business—oil drilling.

Mercantile Acceptance Corp. of California, San Francisco

Mar. 26 (letter of notification) $146,900 10-year debentures, 4% series. To be sold at face amounts of $100, $500 and $1,000. **Underwriter**—Guardian Securities Corp., San Francisco. For payment of short term notes or for other corporate purposes.

Michigan Consolidated Gas Co. (6/9)

March 7 filed $6,000,000 first mortgage bonds, due 1969. **Underwriting**—To be determined by competitive bidding. **Probable bidders**—Dillon, Reed & Co., Inc.; Halsey, Stuart & Co. Inc.; The First Boston Corp.; Harris, Hall & Co. (Inc.). **Price**—To be determined by competitive bidding. **Proceeds**—Net proceeds, together with funds to be received from the sale of additional common shares to Michigan's parent, American Light & Traction Co., will be used to finance its property construction and equipment program and to reimburse its treasury for previous construction expenditures. **Bids**—Bids for the purchase of the bonds will be received at company's office, 415 Clifford St., Detroit, Mich. up to 11 a.m. (EST) June 9.

Mid-Continent Airlines, Inc., Kansas City, Mo.

May 14 (letter of notification) 30,601.4 shares of common. **Price**—$7.50 a share. No underwriting. To be added to working capital.

Mission Appliance Corp., Los Angeles

March 25 filed 58,000 shares ($5 par) common. **Underwriter**—Lester & Co., Los Angeles. **Price**—$11.50 a share. **Proceeds**—For construction of new plant building and an office building and for purchase of machinery and equipment.

Mississippi Power & Light Co.

May 2 filed $8,500,000 of first mortgage bonds, due 1977. **Underwriter**—To be determined by competitive bidding. Probable bidders include Halsey, Stuart & Co. Inc.; The First Boston Corp. and W. C. Langley & Co. (jointly); White, Weld & Co. and Shields & Co. (jointly). **Proceeds**—Approximately $6,000,000 will be added to cash funds and will be used in part to finance additional construction. The remaining $2,500,000 will be put in trust under the terms of its mortgage and deed of trust.

Missouri Edison Co., Louisiana, Mo.

May 7 filed 80,000 shares ($5 par) common. **Underwriter**—Blair & Co., New York. **Price**—$10.50 a share. **Proceeds**—Shares being sold by L. F. Rodgers, Dallas, Tex., Treasurer and principal stockholder, who will receive proceeds.

Morris Plan Corp. of America, N. Y.

Mar. 31 filed $3,000,00 debentures. **Underwriter**—Eastman, Dillon & Co., New York. Price by amendment. **Proceeds**—To retire outstanding bank loans.

New Brunswick Oilfields, Ltd., Fredericton, New Brunswick, Canada

April 2 filed 300,000 shares (no par) capital stock. **Underwriters**—William D. Elwell, Elwell & Co., Inc., Boston, and W. C. Pitfield & Co., Ltd., Montreal. **Price**—$5.75 a share. **Proceeds**—Purchase of the New Brunswick Properties of New Brunswick Gas & Oilfields, Ltd.

• **New York Telephone Co. (6/24)**

May 23 filed $125,000,000 of 35-year debentures. **Underwriters**—To be sold at competitive bidding. Probable billers: Morgan Stanley & Co.; Halsey, Stuart & Co. Inc.; Harris Hall & Co (Inc.). **Proceeds**—Proceeds will be used to repay $79,300,000 of demand notes to its parent, American Telephone & Telegraph Co., and a $3,000,000 short term note owing the Chase National Bank, New York, plus $25,000,000 it expects to borrow from Chase prior to the sale of the debentures. The balance of proceeds will be used to meet further construction requirements. **Bids Invited**—Bids for the purchase of the debentures will be received up to 11:30 a.m. (EDT) June 24 at company's office Room 1600, 140 West St., New York.

Nopco Chemical Co., Harrison, N. J. (6/3)

May 9 filed 25,000 shares ($100 par) cumulative preferred, series A. **Underwriter**—Paine, Webber, Jackson & Curtis, New York. Price by amendment. **Proceeds**—To repay $1,500,000 bank loan and for working capital.

Nutrine Candy Co., Chicago

May 8 filed 100,000 shares ($1 par) common. **Underwriter**—Stifel, Nicolaus & Co., Chicago. Price by amendment. **Proceeds**—The offering is being made by three stockholders who will receive proceeds.

• **Nylok Corp., New York**

May 23 (letter of notification) 1,140 shares (no par) common. **Price**—$100 a share. No underwriting. To defray operating deficits.

Old Poindexter Distillery, Inc., Louisville, Ky.

Mar. 31 filed 50,000 shares ($20 par) 5% convertible cumulative preferred and an unspecified number of ($1 par) common shares into which the preferred is convertible. **Underwriters**—F. S. Yantis & Co., and H. M. Byllesby & Co., both of Chicago. **Price**—At par. **Proceeds**—To be added to working capital.

Peninsular Telephone Co., Tampa, Fla.

May 12 filed 16,079 shares (no par) common. Underwriting—None. **Offering**—The shares will be offered for subscription to common stockholders of record June 9 on the basis of one new share for each 10 shares held. Rights expire June 30. **Price**—$33 a share. **Proceeds**—For plant expansion and improvements and for general corporate purposes.

Popular Home Products Corp., N. Y.

May 9 (letter of notification) 75,000 shares of common stock (par 25c.) and 5,000 shares on behalf of Raymond Spector, President. **Price**—$3.75 per share. **Underwriter**—Eric & Drevers and Hill, Thompson & Co., Inc., New York. Proceeds will be advanced to Staze Inc., a wholly owned subsidiary, and used to eliminate factoring, to purchase packaging materials more advantageously, for working capital, etc.

• **Pressed Steel Tank Co., Milwaukee, Wis.**

May 21 (letter of notification) 6,165 shares of ($10 par) common. To be sold to key employees at not less than 90% of the book value. No underwriting. For working capital.

Public Service Co. of Colorado, Denver

May 16 filed $40,000,000 first mortgage bonds, due 1977, and $7,000,000 convertible debentures due 1962. **Underwriters** — **Bonds** will be sold at competitive bidding. Probable bidders include: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc., and Smith, Barney & Co. (jointly). The debentures will be offered for subscription to the company's ($20 par) common stockholders on the basis of $8 of debentures for each share of common held. Following the sale of bonds and debentures, the company intends to offer 160,000 shares of ($100 par) new preferred stock. **Proceeds**—The offering is in connection with a comprehensive refinancing program which provides for refunding of all the company's funded indebtedness and all presently outstanding 7, 6 and 5% first preferred stock. In addition part of the proceeds will be uesd to finance a $9,000,000 construction program.

Public Service Co. of Indiana Inc.

March 26 filed $11,077,800 15-year 2¾% convertible debentures. **Underwriters** — None. **Offering** — For subscription by common stockholders in the ratio of $200 principal amount of debentures for each 20 shares of common held. The debentures will be convertible into common from May 1, 1947 to April 30, 1959. **Price**—Par **Proceeds**—For repayment of $11,500,000 of bank loan notes.

Public Service Co. of New Hampshire

May 12 filed $4,500,000 of first mortgage bonds, Series B, due 1977. **Underwriter**—To be determined by competitive bidding. Probable bidders include Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lazard Freres & Co. and White, Weld & Co. (jointly); Kidder, Peabody & Co., and Blyth & Co., Inc. (jointly). **Proceeds**—To finance in part a proposed $26,868,700 construction program.

Quebec Gold Rocks Exploration Ltd., Montreal

Nov. 13 filed 100,000 shares (50¢ par) capital stock. **Underwriter**—Robert B. Soden, Montreal, director of company. **Price**—50¢ a share. **Proceeds**—For exploration and development of mining property.

Refrigerated Cargoes, Inc., New York

Feb. 3 filed 25,000 shares ($100 par) 6% cumulative preferred and 25,000 shares (no par) common. **Underwriter**—John Martin Rolph, Vice-President and director of company. **Price**—The stocks will be sold at $105 per unit consisting of one share of preferred and one share of common. **Proceeds**—To be used in organization of business.

Republic Pictures Corp., New York

Registration originally filed July 31 covered 184,821 shares of $1 cumulative convertible preferred ($10 par) and 277,231 shares (50c par) common stock, with Sterling, Grace & Co. as underwriters. Company has decided to issue 454,465 shares of common stock only, which will be offered for subscription to stockholders of record Sept. 5 to the extent of one share for each five held. Issue will not be underwritten.

• **Rochester (N. Y.) Gas & Electric Corp.**

May 26 filed $16,677,000 first mortgage bonds, Series L, due 1977, and 50,000 shares ($100 par) preferred stock. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Glore, Forgan & Co.; Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley; Lehman Brothers; The First Boston Corp. and Smith, Barney & Co. (jointly). **Proceeds**—To redeem all of its outstanding $7,675,000 bonds and to repay $3,500,000 bank loan and to finance new construction.

Salant & Salant, Inc., New York

March 28 filed 240,000 shares ($2 par) capital stock. Underwriter—Eastman, Dillon & Co., New York. Price by amendment. Proceeds—Shares are being sold by 13 stockholders who will receive proceeds.

Sayles (R. W.) & Son, Inc., Litchfield, Conn.

May 15 (letter of notification) 1,000 shares ($10 par) 6% cumulative preferred and 100 shares ($5 par) common. **Price**—$10 a preferred share and $5 a common share. **Underwriting**—Putnam & Co., Hartford, Conn. To complete erection of a storage warehouse and garage and to replenish working capital.

Seaboard Container Corp., Philadelphia

May 9 filed 75,000 shares ($20 par) 5% cumulative convertible preferred and 75,000 shares ($1 par) common. **Underwriter**—Herrick, Waddell & Co., Inc., New York. **Price**—$20 a preferred share and $9 a common share. **Proceeds**—The company will receive proceeds from the sale of all the preferred and 25,000 shares of the common. The remaining shares of common are being sold by stockholders. Company will use its proceeds to redeem $250,000 of 5-year debentures and to repay a $450,000 bank loan. The balance will be used to finance construction of a new plant at Bristol, Pa.

Service Caster & Truck Corp., Albion, Mich.

April 10 filed 32,000 shares ($25 par) $1.40 convertible preferred and 53,962 shares ($1 par) common. **Underwriter**—Smith, Burris & Co., Chicago. **Price**—$25 a preferred share and $10 a common share. **Proceeds**—Proceeds, together with funds to be provided by a term bank loan, will be used to discharge indebtedness to Domestic Credit Corp.

• **Silver Creek (N. Y.) Precision Corp.**

May 23 (letter of notification) 125,000 shares (40c par) common. **Price**—$2 a share. No underwriting. For working capital.

Solar Manufacturing Corp.

March 19 (by amendment) filed 110,000 shares of 75c cumulative convertible preferred stock, series B (par $5) **Underwriters**—Van Alstyne, Noel & Co. Price per share $12.50 **Proceeds**—Net proceeds will be applied to redemption of bank loans and to cover part of cost of expansion program.

• **Southern Airways, Inc., Birmingham, Ala.**

May 19 (letter of notification) 81,500 shares ($1 par) common. **Price**—$1 a share. No underwriting. To reduce bank loans and to increase working capital.

Southern California Gas Co., Los Angeles

May 15 filed $12,000,000 first mortgage bonds, 2⅞% series, due 1977. **Underwriting**—To be sold at competitive bidding. Probable bidders include Blyth & Co., Inc.; Halsey, Stuart & Co., Inc.; Harris Hall & Co. (Inc.); Merrill Lynch, Pierce, Fenner & Beane; White, Weld & Co. **Proceeds**—To construct natural gas pipe line connection to the Hugoton-Panhandle Fields, Texas, and to reimburse company treasury for construction expenses.

• **Southern Webbing Mills, Inc., Greensboro, N. C.**

May 20 (letter of notification) 16,215 shares ($10 par) capital stock. **Price**—$10 a share. No underwriting. For reduction of bank loans and for other current liabilities.

Standard Factors Corp., New York

May 7 (letter of notification) 4,500 shares (no par) 75c cumulative preferred. To be offered to holders of debenture bonds and Class A common in exchange for their securities on the basis of $100 of bonds in exchange for five shares of preferred and $25 in cash, and two shares of Class A stock in exchange for one share of preferred. No underwriting.

• **Stokely-Van Camp, Inc., Indianapolis, Ind.**

May 19 (letter of notification) 449 shares ($1 par) common. To be sold at market on New York Stock Exchange through Reynolds & Co., New York. Proceeds are to be distributed to scrip holders.

Strauss Fasteners Inc., New York

March 25 filed 25,000 shares of 60 cents cumulative convertible preferred. **Underwriter**—Floyd D. Cerf Co. Inc., Chicago. **Offering**—The shares initially will be offered for subscription to common stockholders of Segal Lock & Hardware Co. Inc., parent, at $9 a share in the ratio of one share of preferred for each 30 shares of Segal

common held. Unsubscribed shares of preferred will be offered publicly at $10 a share. **Proceeds**—For additional working capital.

Sussex County Distillery Co., Inc., Quarryville, N. J.
May 7 (letter of notification) $180,000 10-year 7% debenture bonds and 54,000 shares ($2 par) common. **Price** $800 per unit, consisting of one $500 bond and 150 shares of common. No underwriting. For retirement of outstanding loans and for additional working capital.

Swern & Co., Trenton, N. J.
Aug. 28 filed 195,000 shares common stock (par $1). **Underwriter**—C. K. Pistell & Co., Inc. **Offering**—Company is selling 45,000 shares, and eight selling stockholders are disposing of the remaining 150,000 shares. **Price**—$10.50 a share. **Proceeds**—From 45,000 shares sold by company will be applied to working capital initially. Offering date indefinite.

Textron Inc., Providence, R. I.
Feb. 28 filed 300,000 shares ($25 par) 5% convertible preferred. **Underwriters**—Blair & Co., Inc., New York, and Maxwell, Marshall & Co., Los Angeles. Price by amendment. **Proceeds**—For payment of $3,950,000 of bank loan notes; purchase of two notes issued by a subsidiary, Textron Southern Inc. in the amount of $1-000,000 each, and for working capital. Offering date indefinite.

Toledo (O.) Edison Co.
Oct. 25 filed $32,000,000 first mortgage bonds, due 1977, and 160,000 shares of ($100 par) cumulative preferred. **Underwriters**—To be determined by competitive bidding. Probable bidders include The First Boston Corp.; Halsey, Stuart & Co. Inc. (bonds only); Blyth & Co., Inc.; and Smith, Barney & Co. Price to be determined by competitive bidding. **Proceeds**—Net proceeds together with $4,-500,000 bank loan and if necessary, the $5,000,000 to be contributed by its parent, Cities Service Co., will be used to redeem outstanding debt and preferred stock, involving a payment of $56,906,590, exclusive of interest and dividends.

Tucker Corp., Chicago
May 6 filed 4,000,000 shares ($1 par) Class A common. **Underwriter**—Floyd D. Cerf Co., Chicago. **Price**—$5 a share. The underwriting discount will be 70 cents a share. **Proceeds**—To lease and equip manufacturing plant at Chicago, and for other operating expenses. **Business**—Manufacture of automobiles.

• **U. S. Grant Mining Co., Virginia City, Mont.**
May 19 (letter of notification) 80,000 shares ($1 par) capital stock. **Price**—$1 a share. No underwriting. For machinery, equipment and development of mining properties.

U. S. Television Manufacturing Corp., New York
Nov. 4 filed 200,000 shares (par $1) 25c cumulative convertible preferred and 230,000 shares of common (par 50c). Price to public for preferred $5 per share. Employees will be permitted to purchase preferred at $4.50 per share. Of the common 30,000 shares are reserved for the exercise of warrants up to Jan. 15, 1950, at $3.50 per share and 200,000 are reserved for the conversion of the preferred. **Underwriters**—Names by amendment. Price $5 per share for preferred. **Proceeds**—For working capital and expansion of business.

Upper Peninsula Power Co.
March 6 filed $3,500,000 first mortgage bonds, due 1977 and 10,000 shares ($100 par) cumulative preferred stock. **Underwriting**—Bids for sale of securities were invited for May 21 but sale was not made. Company now is applying to SEC to negotiate the sale. **Proceeds**—Company was organized Feb. 26, 1947 to acquire the capital stocks and assets of three Michigan operating utilities—Houghton County Electric Light Co., Copper District Power Co. and Iron Range Light & Power Co. The proceeds will be used in connection with this acquisition program.

Utah Chemical & Carbon Co., Salt Lake City
Dec. 20 filed $700,000 15-year convertible debentures due 1962, and 225,000 shares ($1 par) common. The statement also covers 112,000 shares of common reserved for conversion of the debentures. **Underwriter**—Carver & Co., Inc., Boston. **Price**—Debentures 98; common $3.75 per share. **Proceeds**—For plant construction, purchase of equipment and for working capital.

Vauze Dufault Mines, Ltd., Toronto, Canada
Mar. 31 filed 500,000 shares ($1 par) common. **Underwriter**—Name to be filed by amendment. **Price**—50 cents a share. **Proceeds**—For general operating expenses.

Victory Gold Mines Ltd., Montreal, Canada
Nov. 13 filed 400,000 shares ($1 par) capital stock. **Underwriter**—Paul E. Frechette. **Price**—25 cents a share. **Proceeds**—For developing mining property. **Business**—Acquiring and developing mining properties.

Weber Showcase & Fixture Co., Inc.
Mar. 31 filed 108,763 shares ($5 par) common. **Underwriters**—Blair & Co., Inc. and Wm. R. Staats Co. **Offering**—Shares will be offered for subscription to Weber's common stockholders. Certain shareholders have waived subscription rights. The unsubscribed shares will be offered publicly through underwriters. Price by amendment. **Proceeds**—To retire preferred stock and to reduce bank loans.

Western Air Lines, Inc.
Nov. 27 filed 1,200,000 shares ($1 par) capital stock. **Underwriter**—Dillon, Read & Co. Inc. Price by amendment. **Proceeds**—Offering consists of an unspecified number of shares being sold by the company and by William A. Coulter, President and Director. The amounts being offered by each will be stated definitely by amendment and the total number of shares presently stated will be reduced if the offering consists of a smaller number of shares. Company will use its proceeds estimated at a minimum of $6,500,000 together with a $7,500,000 bank loan, toward payment of its promissory notes and to finance company's equipment and facilities expansion program now under way.

Western Electric Co., New York
April 16 (letter of notification) 1,500,000 shares (no par) common. Stockholders of record May 14 are given the right to subscribe for the additional shares at $40 per share in ratio of one new for each five shares held. Rights expire June 27. No underwriting. To reduce indebtedness and to reimburse its treasury.

Wisconsin Power & Light Co., Madison, Wis.
May 21 filed 550,000 shares ($10 par) common stock to be sold at competitive bidding. **Underwriters**—By amendment. Probable bidders include Glore, Forgan & Co., and Harriman Ripley & Co. (jointly); The Wisconsin Co.; Dillon, Read & Co., Inc. **Proceeds**—Part of the shares are to be sold by Middle West Corp., top holding company of the System, and part by preference stockholders of North West Utilities Co., parent of Wisconsin, who elect to sell such shares of Wisconsin common which will be distributed to them upon the dissolution of North West Utilities Co.

• **Workers Finance Co., Newark, N. J.**
May 26 (letter of notification) $225,000 6% 20-year debentures. **Price**—$100 per unit. No underwriting. To be sold direct or in exchange for outstanding preferred and debentures. **Purpose**—To eliminate outstanding preferred and debentures and to carry on business.

Prospective Security Offerings

(NOT YET IN REGISTRATION)
• INDICATES ADDITIONS SINCE PREVIOUS ISSUE

(Only "prospectives" reported during the past week are given herewith. Items previously noted are not repeated)

• **Arkansas Power & Light Co.**
May 27 reported company has under consideration issuance of about 11,000,000 first mortgage bonds to finance property expansion. Probable bidders: Halsey, Stuart & Co. Inc.; Dillon, Read & Co., Inc.; The First Boston Corp.; Glore, Forgan & Co. and Harriman Ripley & Co. (jointly).

• **Capital Transit Co., Washington, D. C.**
May 15 the SEC approved Washington Ry. & Electric Co.'s dissolution plan which, among other things, proposes the sale either through competitive bidding or other persons approved by the SEC of Capital Transit Co.'s 120,000 shares of capital stock owned by Washington Railway & Electric Co.

• **Chicago Milwaukee St. Paul & Pacific RR. (6/5)**
Company is inviting bids for the lowest rate at which the bidder will provide $931,250 for financing 75% of the purchase price of certain specified equipment under conditional sale agreement. Bids will be received by J. W. Severs, Vice-President, Union Station Building, Chicago, Ill. up to noon (CDT) June 5.

• **Family Finance Corp.**
May 8 stockholders voted to increase common stock from 750,000 to 1,000,000 shares. Company plans issuance of rights to stockholders to additional common on basis of one new for each five shares held. Offering may be underwritten. Directors also contemplate the issuance of between 50,000 and 60,000 shares of preference stock, which will be sold through underwriters.

• **Great Northern Ry. (6/9)**
Company is inviting bids for the lowest interest rate at which the bidder will provide $2,460,000 for financing approximately 75% of the purchase of certain specified equipment under conditional sale agreement dated June 16, 1947. Bids will be received by F. L. Paetzold, Treasurer, 176 East 4th St., St. Paul, Minn., up to noon (CST) June 9.

• **Louisville Gas & Electric Co. (Ky.)**
May 26 reported possible sale of some $28,000,000 bonds in near future. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Lehman Brothers and Blyth & Co., Inc. (jointly).

• **New York New Haven & Hartford RR.**
May 22 application filed with U. S. District Court at New Haven for permission to issue $5,955,000 equipment trust certificates. Probable bidders include Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

• **Pacific Power & Light Co.**
May 31 the merger of Pacific Power & Light Co. and Northwestern Electric Co. becomes effective. Incident to the merger, Pacific as survivor proposes: (a) to issue and sell $29,000,000 first mortgage bonds, of which $26,900,-000 will be sold through competitive bidding; $2,100,000 will be exchanged for a like principal amount of Northwestern's 4½% debentures due 1959, held by American Power & Light Co.; and (b) to issue and sell at private sale $4,000,000 of serial notes, which will bear an interest rate not expected to exceed 2¼% per annum, payable in 20 equal semi-annual installments. Probable bidders for the first mortgage bonds include Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Blyth & Co., Inc.; Harriman Ripley & Co.

• **Potomac Electric Power Co., Washington, D. C.**
May 15 the SEC approved Washington Railway & Electric Co.'s plan of dissolution which provides among other things that Potomac Electric sell through competitive bidding 140,000 shares of 3.60% preferred stock (par $50). Probable bidders include Alex. Brown & Son; Kidder, Peabody & Co.; The First Boston Corp.

• **Public Service Co. of Colorado**
May 26 stockholders approved (in addition to securities now in registration) 160,000 shares of new preferred stock. Of the preferred, 62,199 shares will be offered to holders of the outstanding first preferred on a share-for-share exchange basis. The balance of the preferred will be sold through competitive bidding. Probable bidders: Blyth & Co., and Smith, Barney & Co. (jointly); The First Boston Corp.; Glore, Forgan & Co., and W. C. Langley & Co. (jointly).

• **Public Service Co. of New Mexico**
May 21 company requested the SEC for permission to sell 20,000 shares preferred stock (par $100) and $6,800,000 first mortgage bonds at competitive bidding. Net proceeds would be used to retire $5,492,000 bonds of constituent companies, pay $1,000,000 bank loan. Balance would be used for construction purposes. Probable bidders: The First Boston Corp. and White, Weld & Co. (jointly); Halsey, Stuart & Co. (bonds only); Otis & Co., Glore, Forgan & Co. (stock only).

• **Thermoid Co.**
May 27 stockholders voted to increase $2.50 cumulative convertible preferred from 55,000 to 120,000 shares to increase common from 975,000 to 1,500,000 shares (par $1) and to extend option to purchase 24,250 common shares (held by F. E. Schuter, President and Thermoid Manager's Group Inc.) from April 16, 1948 to April 16, 1951.

• **Wheeling & Lake Erie Ry. (6/19)**
Bids for the purchase of $2,940,000 equipment trust certificates will be received by the company up to June 19. The certificates will mature semi-annually from January, 1948, to July, 1957, and will finance not more than 80% of the cost of the equipment. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Why Doesn't the Stock Market Tick as It Should?

(Continued from page 3)

tions of the stock and money markets.

The Federal Reserve, for instance, is looked upon by many brokers and financiers as something in the nature of an OPA of the financial industry. The Federal Reserve should be deprived of the power to fix margins, it is felt. In any case, the function of the Federal Reserve with respect to margins is merely to determine the amount of credit to be allowed. However, it appears to some anyway that the Federal Reserve is now really more interested in utilizing its margin-fixing powers to stabilize or, if you please, to fix or determine the level of stock prices.

Many economists would like to see the New York Stock Exchange itself fix the margins. Officers, staff and members of the Exchange are, after all, as close to the stock business as any group of people can be. To the claim that the lack of Federal Reserve restrictions with regard to margins led to wild speculation in '29, it can be said that the Federal Reserve restrictions on margins did not prevent the decline of last September. Many brokers are convinced that the Exchange itself could do as well and probably a great deal better. On the desirability of a lower margin figure than prevails at present, brokers are just about unanimous in advocating a margin of from 40 to 50%. A 75% margin, they say, is just like a 100% margin in its effect upon the volume of trading.

If, as some claim, rates of interest or size of margins do not make any difference or much of a difference anyhow, that investors buy or sell securities depending upon the outlook for profit-making, then the question can be raised why then bother about margins at all. To the list of supposedly good points which some brokers and investors claim for high margins, such as the elimination of acute suffering when values start to shrink—"investors lose but they are not wiped out," as they say—must be added a list of bad points, among them unnecessary restrictions upon the buying side of the market, preventing or discouraging numerous large investors who, it must be said, probably have plenty of personal credit, from entering the market as a stabilizing factor.

Rep. Adolph J. Sabath, Democrat, of Illinois, caused quite a stir last week when he intimated that the activities of "short sellers and gamblers" on the New York Stock Exchange were leading to national disaster. Rep. Sabath is undoubtedly wrong, of course, in his belief of the effect of the actions of short sellers and "gamblers" on stock market trends as information which he is probably getting from the SEC will show him. The SEC made a study of the stock market crash of last September and though it has not made public its report as yet (though it was promised for last February), it is generally believed in the "Street" that the report will reveal no "outrageous crooked dealings" on Wall Street which Rep. Sabath implied are to be found there. However, in a sense, Rep. Sabath is believed by some in New York to be on the right track.

What Rep. Sabath probably means is that he senses that the stock market is not reflecting the true nature of the business environment in America. Like many others, very likely, he, too, feels that somehow the present stock market trends do not mirror actual conditions in the business world. He could be wrong, as others who feel along with him on this question could be wrong. However, it could be—and it might very well be—that, in the spirit of inquiry which Rep. Sabath has shown, a careful analysis of stock market processes might reveal that the many prohibitions and restrictions imposed upon the stock business, in all its phases, ostensibly to permit it to function more smoothly and efficiently actually are interfering with the normally orderly markets in securities and so causing unnecessary losses to investors. Rep. Sabath undoubtedly oversimplifies the picture to blame everything that is apparently wrong on the short seller or the so-called gambler; the speculator, we suppose he means. There are many in the financial industry who wish the thing were really as simple as all that. If Rep. Sabath would study the matter further, however, he would probably admit that even short-sellers and speculators have their places and their roles to fill—important roles to fill—in the securities market. A market of bulls and bulls alone would bring on a stampede on the up-side that would make Rep. Sabath's hair literally stand on end!

A more careful approach to the problem raised by Rep. Sabath's inquiry into the functions of the securities market would certainly expose for what it is the negative force of the SEC regulations, such as, for instance, the SEC restrictions as they apply to the operations of so-called "insiders." The Securities Exchange Act of 1934 compels officers, directors and 10% stockholders of the registered companies, that is, those whose securities are listed on a national exchange, to reveal their transactions in the securities of their own companies and subjects any profits that accure to them within six months of date of purchase to "recapture" by their corporations. While the part of the rule pertaining to reporting does not necessarily prevent any officer, director or 10% stockholder from buying or selling the securities of their own companies, it does act to discourage them from buying or selling. In fact, in come cases, it even tends to discourage them from holding any securities at all in their companies, thus presenting the strange spectacle of men directing corporations in which they have no interest. There is the faintest suggestion that somehow there is something wrong in an officer, director or 10% stockholder from going in and out of the market whenever he may find it to his advantage and possibly also to the advantage of his company and the stockholders of that company generally to do so. The part of the rule which refers to the recapture of profits, however, does really put a very strong brake on the actions of insiders. Thus, while an insider might like to enter a weak market, that is, to buy to strengthen the security in which he is interested, he is discouraged from doing so, since purchase would expose him to possible considerable loss with little likelihood of any material gain.

The SEC and its supporters overemphasize the advantage which the "insiders" may have over other classes of investors, it is felt in some particularly well-informed quarters. In practice, it has been discovered that "insiders" like investors generally often go along with the market, buying when others buy and selling when others sell. Sometimes, it may not be the "insiders" as much as the other investors, possibly acting on the information in the reports of the transactions of "insiders," that may throw a market off. The reports come out about three months after the deed and in the meantime the tone of the market may have changed completely. Though an "insider" may have had a reason to sell three months before, for instance, there may be no reason at all when the report comes out for others to sell. "Insiders" are usually people who hold heavy positions in the securities of their companies and so naturally are usually in a position to supply the stocks necessary to meet an increasing demand. Likewise, being "insiders," they may be in a good position to know when the stocks of their companies are being under-valued. Being men of means, as a rule, they can really go into the market and stabilize it by making the necessary purchases. It is the failure of the SEC to distinguish between fraudulent manipulation and behavior naturally associated with the normal processes of the market that is causing so much concern among the brokers and investors generally.

The SEC now wants to extend the reporting and profits "recapture" requirements of the '34 Act to the larger unregistered companies, that is, those with assets of $3,000,000 and more and with 300 or more stockholders whose stocks are not listed on a national securities exchange. The SEC would that is, have the officers, directors and 10% stockholders of the larger unregistered companies come under the same regulations with which the officers, directors and 10% stockholders of the listed companies must now comply. If the SEC's powers are extended by Congress to cover this broader field in this respect, according to many, the damage which these regulations are doing to the securities markets now will only be made greater and more devastating.

It seems to many that what is needed at the moment is not the extension but the curtailment of SEC powers in this and many other directions.

Security Dealer Shot to Death

Willard H. York of San Antonio, Texas, and three members of family killed by former family physician. His firm went into bankruptcy in March.

On May 23, Willard H. York, a security broker and dealer, doing business as Willard York Co. in San Antonio, Texas, was shot to death, together with three members of his family, while driving to church at New Braunfels, Texas.

Besides York, the dead are his wife, Mrs. Gertrude O. York, 43; their son, John, 9, and York's mother, Mrs. Mary York, 67.

A charge of murder against Dr. Lloyd I. Ross, San Antonio physician, was filed in Justice Court in connection with the deaths.

York filed a voluntary petition in bankruptcy in United States District Court last March 24 and on the same date he was adjudged bankrupt and a receiver was appointed to take care of his assets. His bankruptcy petition indicated he was insolvent to the extent of about $75,000, the trial examiner stated.

On March 19 of this year, York was charged in United States District Court in San Antonio in a complaint filed by the Securities and Exchange Commission with violation of the Securities Act of 1934.

About the same time, Dr. Ross filed suit against York asking judgment in the Texas District Court. The suit charged that York was indebted to him in securities, stocks and bonds amounting to $80,279.

In Philadelphia, a Securities and Exchange Commission officer, Allen MacCullen, recommended recently that the broker-dealer registration of York be revoked.

MacCullen, the SEC examiner, stated in his report that York, during a period between last Sept 30 and the time he filed bankruptcy papers, sold customers securities which he did not own and delayed purchase of such securities for ten days to nearly two months.

MacCullen concluded "under all of the circumstances, it is logical to assume that he did not have sufficient working capital to make prompt settlement with customers for credit balances in their accounts and the evidence shows that he did not hesitate to appropriate customers' free securities without their knowledge or consent. As a result of his fraudulent practices many of his customers will suffer the loss of their securities and credit balances."

Mr. York's firm was a member of the National Association of Securities Dealers.

SEC Requirements on Reporting Sales of Securities

(Continued from page 6)

may not suffice in all instances. The Securities Act of 1933 also has to be considered. This original legislation, it will be recalled, covers the registration of public offerings.[3] Notwithstanding its lack of specific provisions requiring the registration of sales by officers, directors and owners of more than 10% of the stock of a corporation, care must be exercised. This is because the Securities Act of 1933 *does contain* provisions governing the sale of securities by persons directly or indirectly *controlling* a corporation.

What Constitutes Control?

So Mr. Smith and Mr. Jones both ask, "When is a director, officer or principal shareholder considered to be in control of the corporation?" The answer is largely a question of fact and is determined by the circumstances in each particular case.

3 A sale of securities may nevertheless constitute a public offering even though no organized dealer distribution is involved. The sale of a block of stock in the regular way on an exchange or over the counter may thus constitute a public offering.

On the one hand, merely being an officer, director or 10% stockholder is not, of itself, irrefutable evidence of control. On the other hand, it should be pointed out that a single individual need not be in *sole* control of a corporation; it is sufficient if he is *part* of a group which controls the corporation. Furthermore, control may be an actuality even though ownership by any one person, or a group as a whole, amounts to less than 50% of the voting stock.

Sometimes, help in determining whether or not control exists may be gained from the following test: Could Mr. Smith or Mr. Jones get their company to file a registration statement to cover sales of their stock? Reason for the application of this particular test of control lies in the fact that, under the Securities Act, a registration statement can only be filed by the company and not by Mr. Smith or Mr. Jones. If Mr. Smith or Mr. Jones can get the company to file a registration statement to cover sales of their stock, the SEC considers this evidence of their control of the company. Conversely, if they cannot procure such filing by the company, then this is evidence that they do not control it. There are many who feel that this is the best test of control as used in the Act—since to require registration of persons who cannot procure such registration would, obviously, be unfair.

Quite often the amount of stock being sold is not large. In such instances, registration of sales by Mr. Smith and Mr. Jones is not required regardless of the question of control. The SEC grants exemption from registration based on the amount of the offering when it does not exceed $100,000.[4] Accordingly, even though no registration statement has been filed, any possibility of violation by either Mr. Smith or Mr. Jones or the broker or dealer handling their sales, is obviated. However, to make this exemption effective, a letter of notification must be filed with the SEC at least five days in advance of the sales. This letter of notification, unlike a full registration statement, requires no action by the company. It can be filed by the selling officer, director or stockholder. It is in the nature of a simple report. Therefore, the answer to Mr. Smith's original question, "Should I or Mr. Jones report to the SEC sales of stock not registered on an exchange," might well be "yes," if such letter of notification were meant.[5]

"Well," says Mr. Smith, "suppose, however, that our corporation were to register its stock for trading on an exchange under the Securities Exchange Act and Mr. Jones and I were to file monthly changes of ownership reports in that connection. Wouldn't we thus avoid the problem of control and also registering our sales under the Securities Act?" The answer to this question is "no." The requirements of the two Acts are independent, and the registration requirements of the Securities Act are still applicable even if the securities are registered on an exchange.

In conclusion, a word of caution seems appropriate. Discussion has been general in nature; it has not been designed to cover all particular situations which may arise, For such purpose, a much more exhaustive analysis of the detailed requirements of the regulations would, obviously, be necessary. Nevertheless, it is to be hoped that the reader may have gained, from this article, some awareness of the general requirements and problems involved, as well as the necessity for considering all the various phases of the applicable regulations.

4 Where the company sells shares for its own account, the exemption runs to $300,000.

5 There may, of course, be other grounds for exemption or ways of handling the transaction to avoid full registration. However, the exemption based on amount of the offering is the only one which requires a filing with the SEC in order to be effective.

Our Reporter's Report

Investment bankers, eying the extreme dullness ruling on the major exchanges and taking note of the marked success that has attended several large equity distributions recently, are inclined to take a few bows for themselves at the expense of the brokerage fraternity.

Brokers on the several big exchanges quite naturally are experiencing one of those recurrent low spots what with volume having dwindled to levels which makes it necessary for them to trim sails in many instances in order to keep from being eaten up by overhead.

Meanwhile the investment banking fraternity, while it could readily enjoy a somewhat more active flow of new business, seems to be managing to keep the wolf away from the door by going out and selling stocks. The difference seems to be, of course, that the broker waits for the customer to initiate the business while the investment banker takes the business to the customer.

In spite of the current dullness, one investment banking firm, for example, took over a block of 20,000 shares of South Penn Oil common stock and disposed of the shares around current market levels in a short space of time.

Only a week or so ago, the same firm, disregarding the timidity of potential competitors, this firm purchased a block of 200,000 shares of Koppers Co. new common and found a ready market for the shares in a matter of hours. The bankers say they can't afford to enjoy poor health so they have to go out and make a dollar.

New England Power Assn.

A single banking group bid for the $75,000,000 of new securities offered by New England Power Assn., destined to become the New England Electric System by change of name, when the company offered the issues on Tuesday.

The group bid 101.829 for $50,000,000 of new 30-year debentures to carry a 3¼% coupon, and 100.589 for $25,000,000 of 20-year debentures to carry a 3% rate.

Reoffering for public subscription is being announced today, the 3¼s being priced at 102.91 and the 3s at 101.50.

Netherlands Issue

Coming into the American capital market for the first time in almost a quarter century, the Kingdom of the Netherlands, through investment bankers, offered this week an issue of $20,000,000 of 3¾% external sinking fund bonds, due in ten years.

Priced at 99 to return an indicated yield of about 3.87%, the offering was reported to be attracting marked interest among investors.

The loan will provide Amsterdam with funds to prepay an Export-Import Bank credit, or to buy goods and services to help with the country's reconstruction program.

Big Issues Ahead

Once the current long week-end is out of the way, the underwriting industry will get down to the job of distributing two huge public utility issues, namely those of American Telephone & Telegraph Co., and Consolidated Edison Co. of New York.

The American Telephone issue, $200,000,000 of new 40-year debentures, will be up for bids next Tuesday, June 3, provided nothing happens in the interval to cause a change in plans. The two rival banking groups which have sought preceding issues, under competitive bidding, again are expected to contest for this issue.

Soon thereafter the Consolidated Edison Co. should be seeking bids for the final emission in connection with its vast refinancing program. This company has $60,000,000 of series C first and refunding mortgage bonds of 25 years maturity in registration at the moment.

Rochester Gas & Electric

Meanwhile the Rochester Gas & Electric Corp. has plans for some $22,000,000 of new securities going through the necessary Securities and Exchange Commission routine. Hearing on this company's plans has been set for June 5 next.

The program calls for the sale of $16,677,000 of new first mortgage bonds and 50,000 shares of $100 preferred stock to provide for the redemption of $7,657,000 outstanding bonds, to repay bank loans and to finance new construction.

First Boston Group Offers $75,000,000 of New England Electric System Debentures

The First Boston Corp. heads a group of investment bankers which is offering to the public today (Thursday) an aggregate of $75,000,000 of New England Electric System debentures. The securities consist of $25,000,000 principal amount of 3's, due in 1967, which are being priced at 101.50, to yield 2.90% to maturity; and $50,000,000 of 3¼'s, due in 1977, which are being priced at 102.91, to yield 3.10% to maturity. The debentures were awarded to the group at competitive bidding May 27 on a bid of 100.589 for the 3's and a bid of 101.829 for the 3¼'s.

Proceeds from the sale of the debentures, together with proceeds from a "loan agreement" amounting to $10,000,000, and other funds from the treasury of the company, will be used to pay off two issues of debentures of New England Power Association amounting to $21,619,000 and $23,312,315 respectively; to pay a bank credit of $11,959,000 of North Boston Light Properties, and a note of $3,000,000 of Massachusetts Utilities Associates, and to redeem $26,527,051 of preferred shares of certain of the constituent companies.

New England Electric System is a Massachusetts Voluntary Association which consolidates the six intermediate companies of the New England Power Association holding company system. Under the simplification proceedings all of the intermediate holding companies have been eliminated, and the company now owns directly all of the assets of the constituent operating companies. The system is the largest in New England. The capital structure of New England Electric System consists of the debentures just issued, $10,000,000 borrowed under a "loan agreement" and payable $1,000,000 a year for 10 years, and 6,695,075 shares of common stock.

The debentures will be entitled to the benefits of sinking funds, commencing in 1948 with respect to the debentures due 1967, and in 1958 for those due 1977. The indenture provides for sinking fund payments which will retire prior to maturity 80% of the $25,000,000 debentures due 1967, and 45% of the $50,000,000 due 1977.

New England Electric System is a holding company, registered as such under the Public Utility Holding Company Act of 1935, and controls 41 electric and gas utility subsidiaries and seven miscellaneous subsidiaries. Through its subsidiaries, the company serves communities in Massachusetts, Rhode Island, Vermont, New Hampshire, and a small section of southeastern Connecticut.

The pro forma statement shows 1946 gross income of $11,361,708, interest and other charges of $2,562,622, and net income of $8,799,000.

From Washington Ahead of the News

By CARLISLE BARGERON

With not the slightest intention of disparaging Congress as the great institution of a free people, it is a fact that the collective Congressional mind is something wholly apart. The way in which the individual member and the body as a whole arrive at decisions is a source of constant amazement to this writer, and I gather, to a lot of other people as well.

Carlisle Bargeron

I wouldn't want it any other way. Certainly I wouldn't want it to be the highly efficient, scientific body which our Liberals are trying to make it. What they want, of course, is to make the members mere automatons with their preparing the blueprints of action. They would be a new type of lobbyists, but potent lobbyists is just exactly what they would be.

One of the Congressmen, Estes Kefauver, a New Dealer, in collaboration with one of the intelligentsia, one Levine, has just produced a book about the legislative body. It makes the point that Congress could scarcely function without the assistance of the much maligned lobbyist. This is to say, that while the congressmen run like nobody's business from the lobbyists every time there is a lobbyist scare, that they deny their best friends on these occasions, they nevertheless depend upon them, seek their advice and assistance, in all legislation dealing with the intricacies of trade and finance, of agriculture, of taxes, of veterans' benefits the whole scope of human endeavor, in fact.

This is as it should be, of course. The lobbyists are the experts in their respective fields. They know more about their respective fields than the professors or the scientists could possibly know. Congress' purpose is to balance the conflicting and selfish viewpoints of a very heterogenuous people.

Messrs. Kefauver and Levine do not intend to praise the lobbyists. They cite Congress' dependence upon them as an argument that they should be replaced by scientific experts who would sit in Washington and determine how much of the economy the farmer should have, the business man, labor—and, of course, the school teachers and social workers.

But as I started out to say, you can get many a laugh by studying the individual or the collective Congressional mind. For some weeks I had thought that it was unfortunate that the Republicans had let the term "anti-labor" be stamped on the labor legislation they were passing. Or rather, it was unfortunate and unfair that the press generally so labelled it.

I mentioned this many times to Congressional friends and suggested that perhaps they could accomplish something by putting the matter right, by emphasizing at every opportunity that the legislation might be called "anti-labor leader" but that it was "pro labor." It gradually began to dawn upon me that none of my friends were impressed. They were not only not worried by the label "anti-labor" but wanted it. The country wanted anti-labor legislation, they felt. Therefore, they wanted to be associated with it. They wanted no part of its being called "pro-labor" or friendly to labor. That is not what the country was calling for.

Relatively few members, as a result, have made any serious detailed study of the bills now in conference. It is, to my mind, just a plain lot of bunk, for example, that the Senators have carefully studied the Senate and House bills and that they would vote to override a Truman veto of the Senate bill, but not the House measure.

With rare exceptions, there is not a man in either body who, when the final roll call is over, doesn't intend to be definitely on the anti or the pro labor side. The lines are pretty definitely drawn. There may be two or three Senators who want to be listed as voting for an "anti" bill but who figure they perhaps can cater to both sides, by refusing to vote for the House version in the event it predominates and Truman vetoes it. I should like to see just what the great independent, Aiken of Vermont, would do under these circumstances.

The point I am probably trying to make is that on big controversies of this kind, a few deeply interested members in each house will take an active part in the shaping up of the legislation, with the rest of them, engrossed in their own work, having made up their minds to vote pro or anti as they think their constituents want. They have not the time for the details. And they want the finished product to be definitely known as pro or anti, not as something satisfactory to both sides. It is not the scientific way to do things, but it is the expression of the people. They have no time to wrangle with the lawyers on this and that provision. As a people they swing back and forth, pendulum like.

And when you are talking about people in this labor controversy, you are talking about millions of workers who want "anti labor" legislation. In wanting that they don't want legislation against themselves, and they know that's not what they are getting.

Lofft of Smith, Barney Named Head of Junior Investment Bankers and Brokers Association

Group of 26 young Wall Street men form new organization for purposes of education and promotion of interests. Association which will hold monthly luncheon sessions to which it will invite speakers on subjects bearing upon the work of the "Street" has backing of "senior" investment banking associations. Membership limited to persons with less than five years of experience in the business.

Young men on Wall Street interested in investment banking or in the brokerage industry as a career have banded themselves into

William Lofft

Philip W. Moore

Robert Baldwin

Paul Bremicker

Julius Sedlmayr

Julian Hemphill

Alvin Ruml

George Washburn

an organization to which they have given the name of Junior Investment Bankers and Brokers Association of New York. Though the idea of forming such a group occurred to them five months ago it was only on Tuesday of this week when they met to adopt by-laws and elect officers that they felt ready to organize formally. The list of charter members, most of whom are veterans of the recent war, includes 26 names.

William Lofft, organizer of the group, a graduate of the University of Toronto and affiliated now with the firm of Smith, Barney & Co., is President. Philip Moore, who received his education at Princeton and is connected now with the First Boston Corp., is Vice-President. Robert Baldwin, who also went to Princeton and who has been with the firm of Morgan, Stanley & Co. for over a year and a half, is treasurer. Paul Bremicker, one of the original organizing group along with Mr. Lofft and others, who is a native of Minnesota, attended Grinnell College and has been with Smith, Barney & Co. for more than a year now, is Secretary.

Julius Sedlmayr, who went to Princeton and is associated at the present time with the firm of Merrill Lynch, Pierce, Fenner & Beane, is Program Chairman. Julian Hemphill, who attended Williams College and who has been associated with Hemphill, Noyes & Co. for a year and a half, is Publicity Chairman. Alvin Ruml, son of Beardsley Ruml and a Harvard graduate, who is connected now with A. G. Becker & Co., is Education Chairman. George Washburn, who attended New York University and is associated at present with Eastman, Dillon & Co., is Membership Chairman.

The by-laws provide that members be persons with less than five years' experience in the investment banking and brokerage fields and having a residence or principal place of business within Greater New York. The executive board, however, is empowered to create different classes of members, for example, resident, non-resident or honorary.

As the purpose of the Association is to promote a spirit of cooperation among the members and to aid in their further education in the investment profession, monthly luncheon meetings and other special gatherings from time-to-time are planned, to which persons prominent in their respective fields on Wall Street or in the commercial or banking departments of the colleges will be invited to talk on questions pertaining to the brokerage or investment banking industries. The organization has the active support of "senior" investment banking associations and leaders, notably the groups and individuals most active in inaugurating employee training courses for entrants into the investment field.

Similar organizations have already been formed in Boston and Chicago ("The Street Club") and attempts will be made to form groups in the other leading financial communities of the country. Ultimately, it is planned to form a national body comprising all these separate organizations throughout the country so that these groups may have an effective instrument to foster mutual interests on a nationwide scale.

Turkey to End Curbs On Foreign Capital

From Istanbul, Turkey, May 26, advices (Reuters) to the New York "Times" said:

The Turkish Finance Minister Nazmi Kismir today announced decrees ending restrictions on foreign capital as a step toward preparing the way for application of the "Truman Doctrine" to Turkey.

By ending laws which have been in force since before the war, Mr. Kismir has now made it possible for foreign enterprise to invest capital in Turkish industry and to take profits out of the country.

Banks operating in Turkey will be able to have a part of their assets in foreign exchange, a privilege previously granted only to the Central Bank. Foreigners in Turkey will enjoy drawing facilities on condition that Turks can enjoy the same facilities in respective countries.

The new decrees are also designed, it was believed, to benefit foreign businesses, industrial improvement in Turkey and the tourist trade.

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The COMMERCIAL and FINANCIAL CHRONICLE

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Pied Piper of Washington, S. 472

By JO BINGHAM

Writer calls attention to Senate bill in aid of education and discusses formulas for allocation among the states. Concludes entire proposal requires revision and that present bill is "no more than a political Pied Piper playing its tune with bank notes."

The comparative shame of the teachers' salaries may be good cause for greater governmental expenditures for education; but, it is *not prima facie* evidence that the Federal Government must inaugurate, for the first time in its history, a program of grants-in-aid for general education purposes. Agreed that, despite increasing costs and earnings in almost every other field of effort, the country-wide total of state and local expenditures for education has remained around $2.3 billion since 1940; nevertheless, these past years have been a period in which the financial status of the states have vastly improved. Reflection, therefore, is to be cast on the states and localities themselves. And it is those governmental areas which need the fillip, or horse-whip, as the case may be. The fact that they have not taken the initiative, does not give it automatically, as by default, to the Federal Government.

Jo Bingham

So far, all Federal aid for educational purposes has been established for specific and restricted programs: Colleges of agriculture and mechanic arts, State marine schools, education of the blind, vocational rehabilitation, training of nurses and defense workers, etc. There are a dozen or more avenues of such Federal expenditure—mostly through the Department of the Interior and the Federal Security Agency — and together they have spent an average of about $67 million a year for the last decade or more: a grand total of only $804 million from 1934 through 1945. Compare that to the annual figures that current bills are proposing for general Federal aid for education.

The Senate Labor and Public Welfare Committee is now studying four measures for such Federal aid. Two, S. 81 (Green-McGrath) and S. 170 (McCarran), are admittedly for the purpose of supplementing teachers' salaries, a very questionable Federal responsibility. Both S 199 (Aiken)

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Class Conflict Idea, A Threat to Freedom

By DR. WILLIAM A. IRWIN*
Economist, American Bankers Association

Dr. Irwin, in pointing out conflicting ideas in world, holds Marxian idea of class warfare is most dangerous. Contends this idea is propagated by labor leaders and is gaining ground abroad and at home. Attacks idea of using taxation as an instrument for leveling wealth and warns, if class conflict spreads, individual will be submerged both politically and economically.

Ideas are the most powerful things in the world. Nothing compares with them in the movements they can start, the force they can exert, or the ends they can accomplish. They are the things that motivate men, and lead them either to their vilest acts of destruction or to their grandest achievements.

William A. Irwin

An idea can be expressed in various ways. At one time it is done through a picture such as "The Madonna" or "Christ in Gethsemane," and a look at an innocent babe in a mother's arms or an agonizing man in a lonely garden has sent some men to cloistered monasteries and others to the task of reshaping a world. At another time it is done through the medium of music. A great composer looks on the face of death and translates his feelings into notes of the scale. Then he gives the world "The Dead March"; and there must be few men to whom the deep, somber tones of that masterpiece do not convey the idea of the over-awing majesty of death.

Again, an idea may take form in written words—a novel, an essay, a newspaper editorial, a brief poem, or a written declaration of purpose. Dickens' novels stirred Victorian England into social consciousness; Macaulay's essays transformed her educational system; an answer to a child's question, "Is there a Santa Claus?" made an undying newspaper editorial; "The Charge of the Light Brigade" has sent British soldiers to fame and death; and Hitler's "Mein Kampf" with Mussolini's "We or They" set the democracies

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*An address by Dr. Irwin before the Trust Conference of the Indiana Bankers Association, South Bend, Ind., April 3, 1947.

Industry's Problem In Offsetting High Wages

By L. E. OSBORNE*
Vice-President, Westinghouse Electric Corporation

Asserting industry must produce more at lower costs if prices are to be reduced and profits maintained, Westinghouse executive contends higher wages have not led to greater productivity and in transition period labor was paid for unrealized production. Says further wage increases, unless offset by increased profitable use of mechanical power and equipment, will create dangerous industrial situation.

L. E. Osborne

The chief problem confronting us today is to expand production and at the same time reduce the costs of production.

To show you why this is necessary, let me cite the experience of my own Company. Before the war, our costs were such that Westinghouse could make a profit—a good profit—on $200 million of business a year. In fact, there were only three years in our history prior to the war when we did more than $200 millions of business annually. Those years were 1929, 1937, and 1940.

However, today, our costs of operation are up so high that we would lose a tremendous amount of money on $200 millions of

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*From a paper presented to the Machine Tool Forum held at Westinghouse Electric Corporation, Buffalo, New York, April 22 and 23, 1947.

GENERAL CONTENTS

Editorial

*Appears in Section I this week.

As We See It

EDITORIAL

"Depression," "recession," "correction," these are the terms now most commonly employed to describe the general state of business into which, in some sectors at least, we appear to have drifted during recent months, or that into which most observers are apparently certain in their own mind we are destined to enter within the next few months. Much has been written and said about the supposed causes and probable duration of this "phase" of "the cycle" as it is sometimes called. As much more is to be found in current writings about what ought to be done to avert, to ameliorate or to shorten the period of adversity from which we are supposed to be about to suffer.

In all this discussion there is, so we think, much confusion and a great deal of misunderstanding of the real inwardness of the current state of affairs. By all odds most commentators are convinced that the difficulty lies in the present level of prices, and one must conclude from what they say that most of them are strongly of the opinion that prompt action on the part of manufacturers and distributors in reducing prices within the limits made feasible by current rates of profit would cure the infirmity. Many are inclined to estimate the probable length of the present or expected difficulty, and to say that we are on the threshold of a "depression" or a "recession" depending upon how quickly these facts are recognized and appropriate action taken.

What Will Labor Do?

Others, somewhat more perspicacious, so it seems to us, add as another and highly important element the question whether organized labor will quickly see the handwriting on the wall and really cooperate in getting costs down substantially in order that prices to the consumer may be substantially reduced. These observers, too, base their conclu-

(Continued on page 4)

Proposes Int'l Investment Code

Winthrop W. Aldrich releases report of Committee of International Chamber of Commerce setting up code of fair practice for international private investment.

Recommendations of measures for encouraging private capital to supplement government lending in the interest of world economic recovery and expansion are submitted in a report of the International Chamber of Commerce, which the Chamber's President, Winthrop W. Aldrich, made public on May 25.

W. W. Aldrich

The report and accompanying resolution represent a comprehensive study of the problem of increasing the world's productivity and speeding reconstruction, and of opening new areas of economic development. It is held that much of the task falls in the province of private foreign investment rather than governmental lending. In order to encourage private investment, the report recommends that provision for a code of fair practice be written into the Charter for the International Trade Organization of the United Nations.

The report was prepared by the Chamber's Committee on Foreign Investments, under the Chairmanship of Arthur R. Ginness, Chairman of the British National Commitee of the Chamber. The American representative on the committee was Warren Lee Pierson, President of the American Cable & Radio Corp. Other business groups represented on the committee were those of Switzerland, Belgium, Canada, China, Czechoslovakia, Denmark, France, Hungary, Italy, Netherlands, Norway, and Sweden. The committee's salient recommendation for the creation of a code of fair practice was drawn from a report of the United States Associates prepared under the direction of Mr. Pierson, which was made public earlier this year. The report points out, however, that such a code will remain a dead letter unless the proper climate for an expansion of private international investment is created throughout the world. The report lays down a series of fundamental principles which must be observed if the movement of private capital is to make its full contribution to economic expansion and higher standards of living.

Mergers—A Cause of High Prices

By ROBERT E. FREER*

Member, Federal Trade Commission

Federal Trade Commissioner calls attention to increase in corporate mergers and says it is one cause of present high prices. Advocates amendment to Clayton Act which would make illegal acquisition of assets of a competing corporation. Says preservation of free and fair competition is pressing problem.

I

In the opinion of the average citizen the proper relationship of government to business is one in which the government exercises a minimum regulatory control compatible with protecting the public interest, and at the same time exerts a maximum effort to encourage the general conditions which promote the best interests of agriculture, labor, investors, management and the public generally. To the average citizen, "the enforcement of free competition is the least regulation business can expect," but he wants the respective roles of government and business to be one of cooperation. While enduring wartime shortages he looked forward to days of plenty under a resumption of competitive selling, the resurgence of free enterprise and the relaxation of wartime controls.

Robert H. Freer

To Americans it is a truism that competition fosters self-reliance, independent thinking, initiative and ingenuity. Free enterprise is the road to business growth. Somehow business decisions made by the many impart resilience and toughness to an economic system.

We meet today on the common ground that our country needs small business; that our country cannot afford monopoly; and that facts indicative of a trend toward economic concentration and consequent lessening of competition should be carefully examined and weighed.

II

More than 1,800 formerly independent manufacturing and mining concerns have been swallowed up through merger and acquisition since 1940. Their combined asset value was $4.1 billion, or nearly 5% of the total asset value of all manufacturing concerns in 1943. Moreover, it was the larger corporations each having assets of over $5 million (in many instances achieved through earlier acquisitions) that accounted for some three-fourths of these recent 1,800 acquisitions.

The war contributed powerfully to the trend of concentration. Government purchases and government financing of productive facilities were channeled predominantly into the hands of corporations which already occupied positions of dominance. Surplus profits created by such channeling have given a strong impetus to the trend by providing funds for additional wartime and postwar expansion through acquisition of former competitors. Out of $175 billion of Government contract awards between June 1940 and September 1944, $107 billion or 67%, went to only 100 of the more than 18,000 corporations receiving such awards. During the war 68 corporations received two-thirds of the $1 billion appropriated by the Government for research and development purposes in industrial laboratories.

The level of industrial concentration apparently has been raised by the disposal of surplus war facilities. Six large corporations, alone, which had less than 10% of all manufacturing facilities in 1939 had acquired 48% of the value of the war plants sold as of June 30, 1946.

The most recent information on the wartime growth of concentration available from the Bureau of Internal Revenue shows that the larger manufacturing corporations, those with assets of $50 million or more each, increased their share of total assets from 42% in 1939 to 52% in 1943.

An even more precipitous increase in concentration took place in the metal products industries—the field most vitally affected by the war. In these industries, corporations with $50 million or more in assets increased their share of total assets from 49% in 1939 to 59% in 1943, and their proportion of gross sales from 38% to 51%.

The effect of war contract awards upon concentration was forecast in 1941 by the Final Report of the Temporary National Economic Committee. That report had warned that "It is quite conceivable that the democracies might obtain a military victory over the aggressors only to find themselves under the domination of economic authority far more concentrated and influential than that which existed prior to the war" (Final Report, p. 3). What another war would do to extend and entrench such domination by a few over the many needs no comment.

The degree of prewar concentration in the economy as a whole and in manufacturing industries in particular was stated in the report of the Senate Small Business Committee, submitted in January, 1946:

The 200 largest non-financial corporations owned about 55% of all the assets of all the non-financial corporations in the country.

One-tenth of 1% of all the corporations owned 52% of the total corporate assets.

Less than 4% of all the manufacturing corporations earned 84% of all the net profits of all manufacturing corporations.

More than 57% of the total value of manufactured products was produced under conditions where the four largest producers of each product turned out over 50% of the total United States output.

One-tenth of 1% of all the firms in the country in 1939 employed 500 or more workers and accounted for 40% of all the non-agricultural employment in the country.

One-third of the industrial research personnel was employed by 13 companies.

More mergers and acquisitions in the manufacturing and mining industries took place in 1946 than in any of the previous 15 years. In 1946, the number of mergers was 26% above the number in 1945, and 225% above the annual average of the years, 1940-1941. Years of greatest business activity and high price levels are the years in which the greatest number of mergers take place. In 1920, the number of mergers increased more than six times over the number during 1919. It may not be irrelevant to note that it was in March 1920 that the Supreme Court handed down its decision upholding the legality of

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*An address by Commissioner Freer at the Eastern Regional Meeting of the National Beer Wholesalers' Association of America, Atlantic City, N. J., May 5, 1947.

House Group Votes Postal Rate Rise

A bill approved by the House Post Office and Civil Service Committee on May 19 would provide higher postal rates for air mail, parcel post, newspapers, periodicals and other services, Associated Press Washington advices stated. Introduced by Chairman Edward H. Rees (R.-Kans.), the measure is designed to increase postal revenues more than $100,000,000, which, however, would still leave the Post Office Department with an estimated annual deficit of nearly $200,000,000.

The provisions of the legislation, which are less than the Post Office Department recommended, would:

Raise from five cents to six cents an ounce the air mail charge.

Boost parcel post rates from eight to ten cents for the first pound on local delivery and by three cents in zones one through six, and by two cents in zones seven and eight.

Increase the second class mail rate on newspapers and magazines if they are sent to points outside the county of publication.

Raise the special delivery charge from 13 cents to 15 cents.

Continue the local letter rate at the present three cents after July 1 when, under existing law, it is due to go back to the prewar two cents.

The Associated Press advices also said:

> The Committee has been studying ways to cut down on a Post Office Department operating deficit which it figures will amount to $492,000,000 in the 12 months beginning July 1 unless Congress boosts rates.
>
> It is said that if its recommendations are made effective, the department will go into the red only $194,000,000.

Would Freeze S. S. Levy

A majority of the House Ways and Means Committee is said to favor freezing the Social Security tax for two years at the present rate of 1% each on employees' pay and employers' payrolls, according to a statement of Representative Harold Knutson (R., Minn.), Committee Chairman. Predicting that such legislative action would be carried out, Mr. Knutson asserted, Associated Press Washington advices reported on May 20, that the Committee also would probably vote to bring some 10,000,000 self-employed persons under the old age and survivors insurance of the Social Security program. If there is a general freeze of the present tax rate, the same advices pointed out, this would prevent an automatic jump on Jan. 1 to 2.5% against employer and employee, and would save taxpayers more than $2,000,000,000 annually.

Merchandise to Germany

Postmaster Albert Goldman announced on May 20, that merchandise, restricted to gifts and samples, may now be included in ordinary letters and letter packages weighing not in excess of one pound, for surface or air transmission to Germany. The advices said:

> The rate on such articles for surface transmission is 5 cents for the first ounce and 3 cents for each additional ounce, and if air transmission is desired, the rate is 15 cents for each half ounce. The paper form of customs declaration (Form 2976-A) properly completed by the sender must be enclosed in each such letter or letter package, and a green label Form 2976 (C-1) must be affixed to the address side thereof.
>
> Gift parcels addressed for delivery in any part of Germany which contain cigarettes or other tobacco products will not be accepted for mailing."

A Real Challenge

"The challenge I am placing before you tonight is to pioneer in reselling the virtues of our American way of life to our own American people. In my opinion, we have a very short time to do this. Should another depression come similiar to that of the Thirties, with our present psychology, it is my opinion that we would come out of that depression with a Government-managed economy. Since, in my opinion, a Government-managed economy, however, would reduce our national income by 50% and, accordingly, our wages and our standard of living by a similar percentage, we would in reality never come out of that depression. We would simply adjust ourselves to it and live in it on a level of mediocrity for everybody."—George S. Benson, President of Harding College, to the American Iron and Steel Institute.

George S. Benson

It has long seemed to us that many who should be doing this "reselling" needed themselves to be resold.

We can only again express the hope that the people of the United States, including unfortunately a good many business men, will not have to learn as our forefathers learned by hard experience—learn what we once thought Americans would never forget.

Congress Completes Action on $350,000,000 Foreign Relief Measure

Congress on May 21 completed action on and sent to the White House a bill authorizing the $350,000,000 foreign relief program. The measure, which is a compromise worked out by House-Senate conferees on May 16, authorizes appropriation of the full $350,000,000 requested by President Truman to continue the work of the United Nations Relief and Rehabilitation Administration until June 30, 1948, in China and six war-torn European areas, including Hungary and Poland.

Both the House and Senate agreed to the Conference report on May 21, the House by a vote of 288 to 86, the Senate accepting without a record vote.

The bill which had passed the House in April, was adopted by the Senate on May 14 by a vote of 79 to 4, after it had rejected, by a vote of 64 to 19, a House proposal to cut the appropriation to $200,000,000. In addition to recommending the full amount sought by the President, the House-Senate Conference Committee modified several stringent restrictions on the program, said the Associated Press, which noted that an attempt on May 21 in the House, before the final vote on the Conference report, to recommit the bill to conference to insist upon the $200,000,000 ceiling was defeated in the House by a vote of 205 in opposition, to 170 in favor of the motion. In the Associated Press it was stated:

> In its final form the bill permits expenditure of the relief funds in Italy, Greece, Hungary, Austria, Poland, China and Trieste. Of the total, a minimum of $15,000,000 is earmarked for the United Nations Children's Emergency Fund.

The Associated Press in reporting on the action of the Conference Committee in Washington advices May 17, had the following to say:

> The Conference Committee adopted a provision earmarking $15,000,000 to $40,000,000 for this fund. In effect, the bill would direct the President to post the smaller amount immediately. When other nations make their contributions, the United States would put up additional money at a rate which would make its contribution 57% of the total. However, the American contribution could not exceed $40,000,000.
>
> This stipulation left $310,000,000 for relief in Austria, Greece, Hungary, Italy, Poland, Trieste and China, and $15,000,000 of that is earmarked for possible emergencies elsewhere.
>
> The Conference Committee struck out a House provision denying aid to Communist-dominated countries except under rigid United States supervision, but retained a requirement that the administrator of the program may check on the delivery of goods down to the point of local distribution.
>
> The committee eliminated a House amendment specifying that no relief should be given to countries which are making war reparations payments.
>
> Senator Vandenberg said this would have canceled relief for Hungary and might have affected Italy, since some Italian assets abroad are being transferred to the war's victors as reparations.
>
> As a substitute, the Committee agreed to a provision in effect directing Mr. Truman to ask Russia and other nations taking reparations to delay their collections while relief is being given to their former war enemies.
>
> The measure makes provision for a $75,000,000 Reconstruction Finance Corporation loan to initiate the program immediately upon the President's signing of the bill. Actual funds for the program will still have to be made available by Congress.

Named for New Terms

President Truman on May 21 renominated Ray C. Wakefield of California for a new seven-year term on the Federal Communications Commission, commencing July 1. Another nomination sent to the Senate at the same time was that of Edmond M. Hanrahan for reappointment to the Securities and Exchange Commission for the term expiring June 5, 1952. In the absence of Mr. Truman from Washington, the nominations were forwarded by the White House staff.

Steel Operations Maintained at High Rate—Scrap Shows Strength—Labor Picture Better

"For the first time since it began late in March to drop from its postwar peak, the scrap market shows signs of strength this week," according to "The Iron Age," national metalworking weekly, which, in its issue of today (May 29) further states as follows:

"Quotations on heavy melting steel are up $2.50 a gross ton at Pittsburgh. Minor increases occurred at other locations.

"The current strength may not be the forerunner of another upward trend but, on the contrary a continuation of stabilization effects on the market. Severe tests have been placed on recent prices and the change at Pittsburgh may be the beginning of the establishment of a proper relationship for scrap prices in various areas. Some large consumers are already resisting the stronger tone and are restricting some shipments.

"'The Iron Age' steel scrap composite this week is up 92¢ a gross ton to $30.42 per gross ton. Last week's figure of $29.50 a gross ton was the low for the year and the high of $39.67 a gross ton was registered in the week of March 17.

"Steel output this week continued to roar on its way towards an annual rate of close to 88,000,000 tons a year. If nothing occurs to reduce seriously the present rate, the yearly output would approximate the wartime record of 89,000,000 tons. Even though this level is not reached, it is now almost certain that all previous peacetime records will be smashed.

"New methods and techniques are being rushed forward by the steel industry to reduce steelmaking unit costs. Following a joint effort between a steelmaker and a manufacturer of oxygen to push the use of oxygen in the openhearth, another large steel company now plans to produce oxygen on a large scale in its own plant in order to speed production and increase productivity. Increased use of hot metal from bessemer converters for the production of openhearth steel in order to defeat the long-term scrap shortage is seen in recent orders for new bessemer steel plants.

"Although private talk in the steel industry leans towards the opinion that steel demand will be slower by the end of this year or in the first quarter of 1948, there are no significant signs of large-scale contraction in the current market picture. For some miscellaneous products such as narrow hot-rolled strip, demand has declined recently. Requirements from manufacturers of some types of home appliances continued to contract as manufacturers become worried about inventories. Latest items to join this list involve coal-heating equipment, beverage coolers and deep-freeze units.

"On the other hand the automobile industry still clamors for cold-rolled sheets in order to maintain its high rate of production. Some of the present stoppages in Detroit are due to shortages of nuts, bolts, rivets and copper in addition to flat-rolled material. Many automotive companies are obtaining greater amounts of steel ingots and having them processed by steel companies whose finishing equipment exceeds their steelmaking capacity. More and more of this type of arangement is expected in the future as every effort is expended to step up the distribution of flat-rolled products.

"In the midst of the temporary domestic shortage of various steel products, there is little chance that the British inquiry for 1,200,000 tons of steel can be met even fractionally. Most large steel companies are refusing to make any firm commitments whatsoever on the British steel inquiry which covers requirements for the fiscal year June, 1947 to June, 1948.

"Included in the British inquiry are the following products: 260,000 tons of ingots, 325,000 tons of billets, 260,000 tons of slabs, 60,000 tons of sheet bars, 20,000 tons of semi-finished blooms and rounds, 140,000 tons of wire rods and 100,000 tons of finished steel products, Major reasons for the black outlook in filling such an inquiry in this country are: Present domestic shortage, heavy demand from Detroit and the reluctance to ship semi-finished steel abroad in the face of a long-term scrap shortage in the United States.

"Following the 15¢ general wage pattern there are indications that machine tool prices will be raised from 10% to 20% in many segments of the industry. Labor costs are up 77% since 1939 while prices advanced about 35% during the same period."

The American Iron and Steel Institute this week announced that telegraphic reports which it had received indicated that the operating rate of steel companies having 93% of the steel capacity of the industry will be 95.4% of capacity for the week beginning May 26, marking the 21st consecutive week of operations above 90%. The current figure compares with 96.1% one week ago, 96.4% one month ago and 43.6% one year ago.

This represents a decrease of 0.7 of a point, or 0.7%, from the preceding week. The operating rate for the week beginning May 26 is equivalent to 1,669,400 tons of steel ingots and castings, compared to 1,681,700 tons one week ago, 1,686,900 tons one month ago and 768,400 tons one year ago.

Total bookings of fabricated structural steel for the month of April, 1947, according to the American Institute of Steel Construction, Inc., were estimated at 143,101 tons, or slightly less than the bookings of 149,634 tons reported for the previous month. The estimated total bookings for the first four months of 1947 amounted to 523,589 tons, or an increase of 19% over the average of 439,199 tons booked in the same months in the averaged five pre-war years 1936-1940.

April shipments of fabricated structural steel totaled 138,982 tons, a slight increase over March, and some 12% greater than the averaged April shipments in the five pre-war years. The tonnage available for fabrication at April 30 was 631,636 tons.

"Steel" of Cleveland, in its summary of latest news developments in the metalworking industry, on May 26 stated in part as follows:

"Prospects for continued peak peacetime production of steel are bright. Labor relations in the industry are better than at any time previously this year and outlook for long-term peace is favorable. Scrap and other raw materials are flowing to the mills in volume that presages maintenance of operations at near capacity.

"The steel labor picture was improved last week by orders from CIO President Philip Murray forbidding all strikes in steel for the next two years and demanding "meticulous respect" for the provisions of the union's contracts. If obeyed, this order would eliminate the hundreds of local work stoppages which have cost heavily in steel output since the war.

"Danger of a soft coal mine strike at mid-year when the mines are returned to private operation appears to be lessening and steelmakers are fairly optimistic that coal operators and the miners will reach an agreement well before the deadline. The leading iron ore mining interest has signed a contract similar to the basic steel agreement and the pattern is expected to be extended to other companies operating in the upper lakes region.

"The combination of these developments indicates no early diminution of steel mill operations, which have been maintained at above 90% of capacity for the past 20 weeks. Leading steelmakers attending the general meeting of the American Iron & Steel Institute at New York last week appeared optimisitc concerning future production.

"Present difficulties which consumers are encountering in obtaining steel to sustain their operations is traceable chiefly to the concentration of demand for a comparatively few types of steel rather than to the total tonnage being produced. Shortages are accentuated by the channeling of large tonnages into federal housing and railroad car construction programs, depriving other classes of consumers of their normal proportionate share.

"Overall supply of light gage carbon sheet and strip is expected to remain below needs of many consumers through the remainder of this year, despite present record peacetime output which will be augmented later this year by installation of new rolling mill equipment and the speeding up of some of the present mills. Increased mill capacity for the production of tin plate is also expected to help relieve the tight supply situation in that product later this year.

"Pressure for medium and large size carbon bars and all sizes of alloy bars has eased, deliveries being extended only four to six weeks. This is attributed mainly to the unbalanced inventories held by automotive and other consumer goods producers. Distribution of the smaller size carbon bars, however, remains under strict allocation.

"Some progress has been made toward reducing the heavy order backlogs for plate, but this is due primarily to the conservative selling policy of producers rather than a let-up in demand. Volume of new business in structural shapes has been lighter recently, however, since high costs and uncertain supply of required materials has delayed many construction projects."

State Dept. Not To Ask New Loans

It has been disclosed by Secretary of State George C. Marshall that a planning group within the State Department is making a survey of the world's economic requirements, but at the same time Mr. Marshall said that the Department does not intend to ask Congress for further foreign loan appropriations at present. The Secretary said, according to advices to the New York "Journal of Commerce" from its Washington bureau, May 20, that he did not now see any need of appropriations to other countries of the type just made to Greece and Turkey. Government economists for some time past have referred to a coming necessity for making additional loans for reconstruction purposes rather than for relief.

Secretary Marshall's opinion regarding further loans was said to complement a statement made by former Undersecretary of State Dean Acheson not long ago in a public speech. At that time (we quote from the "Journal of Commerce" advices) Mr. Acheson stated that many foreign nations would find their dollar credits being exhausted toward the end of 1948, but he did not point to the immediate necessity for additional United States loans.

The State of Trade

The pace of overall industrial production continued last week to hold close to the high levels reached in recent weeks. Several industries, however, were still confronted with some raw materials shortages and certain component parts which served to curtail output.

The factor of unemployment according to reports was not too unfavorable, since total continued claims for such compensation in the week ended May 3, rose less than 1%, while initial claims dropped 3%. In several states a slight increase occurred in the number of workers who were unemployed, but this rise principally in the textile and coal industries was chiefly of a seasonal nature.

Addressing the annual meeting of the New York Employing Printers Association in the Hotel Pennsylvania on Monday evening last, Dr. G. Rowland Collins, dean of the Graduate School of Business Administration at New York University, stated that a period of business adjustment or correction is at hand and the turn in trade will be downward.

Dr. Collins pointed out that this downturn has been increasingly apparent for some weeks and ventured an opinion that "the depth of any recession that lies ahead will be largely measured by the extent to which durables fail to take up the slack. To be specific he ventured to guess that during 1947 the Federal Reserve Board's index of industrial production will not drop from its present level of 190 to lower than 150. And he ventured to say that the wholesale price index will probably not drop more than 15 or 20% from its recent peak and that unemployment will probably not climb to more than 5,000,000.

Drawing a comparison between farm and industrial prices, Dr. Collins stated that the former have risen close to 180% since August, 1939, while in the case of the latter they have increased by only about 59%.

After touching the lowest level since mid-January, production of cars and trucks in the United States and Canada last week resumed its upward trend, according to Ward's Automotive Reports, with estimated output placed at 96,408 units, against a revised figure of 83,201 units in the previous week.

In the corresponding week of 1946, there were 53,020 vehicles turned out and 133,560 in the like 1941 period. Of this week's total, 70,031 cars and 21,210 trucks were produced in this country and 3,131 and 2,036 in Canada.

On the basis of production thus far in the month and anticipations for next week, May output for the U. S. and Canada is expected to total 392,100.

In the week resistance to high prices of building materials and of labor continued to hinder private construction, reports from many areas reveal. It was encouraging to note that lumber production for the week ended May 10 rose 8% and was almost 12% above that of the corresponding week a year ago. No change took place in furniture output for the week, but it was moderately above that of a year ago.

Stocks of most types of durable goods continued to improve the past week. However, refrigerators, washing machines, stoves and freezers remained in short supply. The demand for building materials remained heavy, with nails, pipe and plumbing fittings among the most frequently requested items. Order volume for automobile supplies, farm machinery and power tools continued at the high levels of previous weeks.

The battle over taxes now going on in Congress reached a decisive point on Monday of this week when the Senate rejected by a vote of 48 to 44 a Democratic motion to postpone further consideration of tax reduction until June 10. The contention of the minority was that Congress should first determine whether sufficient cuts in the President's budget could be effected to allow both tax and debt reduction, since most regular appropriation bills would have been reported to the House by that date.

A halt came in business expansion in April despite the fact that activity held at a high level, the Department of Commerce reported on Monday last. Describing the change, it stated that during the month "there were small upward and downward adjustments in various segments of the economy, but these movements largely cancelled each other out."

With respect to unemployment it estimated that the number out of work was about 2,500,000 in April, unchanged from the level for each month since the start of the year.

According to the Commerce Department report, estimated gross national product, representing the total value of all goods and services in the country, was at a seasonally adjusted rate of $209,000,000,000 in the first quarter of 1947. This represents a gain in the dollar total over the fourth quarter of 1946, the Department added, but because prices were higher there was apparently little increase in the volume of output. As for the increase in sales, it continued, practically all of it was in consumer spending with higher prices responsible for the increase.

Reports from most sections of the country indicated wide fluctuation in retail trade volume in the week. Total volume remained close to the high level of the previous week and was moderately above that of a year ago. Warm weather in some areas stimulated consumer interest in Summer apparel and sporting goods.

Wholesale volume rose moderately and continued to compare favorably with that of the corresponding week a year ago. Improvements in the supply of many types of durable goods and increased interest in Fall apparel offerings were chiefly responsible for the moderate rise in wholesale activity.

Steel Industry—Reports on construction cancellations and postponements are not as dark as they look, according to "The Iron Age," national metalworking weekly, in its review of the steel trade for the past week. A quick survey of leading engineers and fabricators shows that postponements are running into large figures but actual cancellations are not serious. Where figures were given it was said that postponements run "into the millions."

A breakdown of some of the postponed cases, the magazine notes, reflects a watchful waiting attitude on the question of prices. Equally as important, and probably more optimistic, was delayed action due to inability to obtain specific delivery dates. Outright cancellations among those interviewed were too small to indicate a definite trend in this direction. One large company was of the opinion that if uncertainties over delivery dates and the probability of further wage increases were eliminated, current prices would be no factor in holding up large construction projects.

As far as steel mills were concerned, states "The Iron Age,"

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As We See It

(Continued from first page)

sions upon the implied, if not expressed, assumption that price reductions are a necessary and sufficient condition to avoidance of any severe and prolonged decline in the rate of business activity. In the deliberations of virtually all of these individuals and groups, the experiences of 1920 occupy a prominent place. The question with many of them is whether or not history will repeat itself.

For the opinions of many of these students and analysts we have profound respect. Yet we should be less than candid if we did not say without equivocation that we find some of these forecasts and some of these diagnoses of current conditions not altogether satisfying. It is true that prices, generally, at retail are high. A good many items appear to be of substandard quality. In some measure these things are the result of poor judgment on the part of one element or the other in the business community. They probably will be squeezed out of the picture and they ought to be. Profits in a number of instances have been running quite high. However, various increased cost factors are only now beginning to be reflected in the cost of goods placed on the market. It would be difficult to say whether profits at this moment are excessive in any particular instance. In any event competition is not likely to permit an indefinite continuance of any sort of gouging.

More Fundamental Forces

But are not far more fundamental forces at work? What appears to us to have happened is this: Financially speaking, inflation has been rampant in this country since the first inauguration of President Roosevelt. Total money supply is several times what it was in early 1933. This condition has now worked its way through the economy in varying degree, segment by segment. We are half over-inflated and half under-inflated in the sense that in some sectors of the economy this super-abundance of funds has had much greater effect than in others. One result is that current prices bear much more heavily upon some elements in the community than upon others. There has been a vast redistribution of relative economic position throughout the ranks of consumers. The farmer and organized labor have been able by one means or another to push their own interest ahead at a more rapid rate than the cost of living has risen, while virtually all other elements in the community are now receiving less income in terms of goods and services required in day to day living.

It may be questioned whether this new set of relationships among consumers is likely to endure. It does not appear to supply a very solid foundation for a long continuance of prosperity. Some increase in productivity may be expected, and as time passes doubtless profits will be whittled down to at least reasonable proportions. All this will help in the sense that it tends to reduce the pressure upon those elements in the population whose income has not grown corresponding to the increase in the cost living. It would, however, appear to be common sense to expect that one of about three much more fundamental adjustments would prove to be essential and inevitable sooner or later. These are: (1) Continued inflation (in the usual sense of the term) until some newly established relationship among the various elements in the community provides a new equilibrium; (2) a thorough-going reduction of the inflationary excesses which have already taken place so that something approaching old relationships are restored, or (3) some compromise between these two extremes.

Inflexible Costs

Now, it would in our judgment be foolish to suppose that any very drastic reduction in wage rates in this country could be effected within any reasonable length of time almost regardless of circumstances. Wage earners in this country are more widely organized than ever before in their history, and more belligerent. Forcing wage reductions upon them, persuading them to work longer hours without increases in pay (at punitive rates), or even making substantial headway in the reduction of the burden of "featherbedding" in any of its manifold forms would be a long and tedious process.

In years past, even when the so-called labor movement was relatively speaking in its infancy, no such achievement is on record—that is within the period for which statistical data on such subjects are available. According to The National Industrial Conference Board, a pioneer in the compilation of information of this sort, the average hourly earnings of wage earners in twenty-five manufacturing industries in July, 1914, was less than $.25. It averaged over $.60 in 1920. Even the great depression did not get this rate down much below $.50. These are not wage rates, of course. They are affected by overtime payments and some other factors, but they are the nearest we have to wage rates—and there is no reason to doubt that they reflect the course of wage rates with reasonable fidelity.

The other category which is giving great trouble today is prices of agricultural products. Here, too, is a sort of political "untouchable." While much may be said in Washington about the desirability of lower farm prices nothing very effective is likely to be done. What is more important is the fact that large funds are being expended for the purpose of seeing to it that they do not fall to their natural level. It would take great optimism to expect this situation to change a great deal in the early future.

Meanwhile inflationary funds of astronomical proportions lie in the hands of the public.

The odds would appear to be against any thorough "shake-down" of the economy at this time. It would be unwise to lead the consumer to expect one.

Urges Trips to Overseas Graves

A White House statement issued on May 13 voices President Truman's advocacy of a pilgrimage of next-of-kin of World War II dead to permanent cemeteries overseas, a dispatch to the New York "Times" from Washington stated. However, the President recommended that such visits be deferred until headstones and memorial chapels have been erected. The President's statement was said to imply the thought that the prospect of such a visit might cause relatives to leave the bodies of some men killed in action in the cemeteries abroad.

The War and Navy Departments now are seeking to learn the wishes of the next-of-kin of men who died overseas. In special advices from Washington by Tom Twitty to the New York "Herald Tribune" May 13 it was stated:

> Congress passed legislation last year giving next of kin these options, plus a fourth, little-used one, which provides for burial in a foreign country other than the present burial place.
>
> The reburial legislation provides that the entire cost will be borne by the Government if interment is made in national cemeteries. If burial is in private cemeteries, the government will return the bodies to 15 distribution centers and will provide up to $50 toward the private burial.

President Truman in his statement said in part:

"It is possible that in making their decision, some of the relatives of these brave men and women desire assurance that their dead will rest in dignity and honor—a desire which would be satisfied by the prospect of visiting the burial places in our national cemeteries, or in the local cemeteries near their homes.

"I feel sure, however, that, if they could see for themselves the care which is devoted to the graves of those who died in the first World War, and to the temporary cemeteries in which their own dead lie buried today, many of the next-of-kin would prefer that their loved ones should rest forever in the countries where they fell."

House Group Approves U. S. Broadcasts

The House Foreign Affairs Committee on May 31 gave unanimous approval to legislation introduced by Representative Karl E. Mundt (R., S. Dak.), which would authorize the State Department to provide information and news to foreign countries. The Committee's action, coming six days after the House denied funds for operation of the program after June 30 on the ground that it had never been formally authorized by Congress, paves the way for a bill which would, said the Associated Press, authorize the department to continue its "Voice of America" broadcasts under a clause which permits it to distribute "information about the United States, its people, and its policies through press, publications, radio, motion pictures and other information media." The Washington Associated Press advices, May 21, further said:

> Other features of the measure would permit continuance of the exchange of students, trainees, professors and professional men on a reciprocal basis with other countries; and direct the Secretary of State to utilize "private agencies" wherever possible in carrying out the program.
>
> The measure is wrapped in security clauses. One would require screening of all present and future employees of the agency by the Federal Bureau of Investigation to make certain of their loyalty. Another would ban distribution of any information "inconsistent with the security of the United States."

During Committee hearings on the proposed measure highest State Department officials urged continuance of the program of broadcasts and circulation abroad of printed information about the United States. Secretary of State Marshall on May 16 told the Committee that American aims are misrepresented to a "tremendous degree" in some foreign countries and that it was important for this nation to have "some method of spreading the truth." The same day, William Benton, Assistant Secretary of State, who directs the program, said that the Department aims to "mirror" American life to the world rather than present a "showcase."

"Mirror," he explained, is presenting an actual picture of life in this country, while "show case" is turning out one-sided and strictly favorable types of information.

Retiring Under-Secretary of State Dean Acheson on May 13 told the Committee that "it would be colossal folly to spend vast sums of money abroad without telling people what we are doing." Mr. Acheson declared that worldwide understanding of the United States—its objectives, its principles, and its hopes—would end "foolish talk" that it follows policies of reaction and imperialism.

General Eisenhower, Army Chief of Staff, was also reported to have said that the program is essential "to create an atmosphere in which peace can live."

U. S. Loan Survey Planned

Secretary of the Treasury Snyder was reported to have stated on May 21, according to a Washington Associated Press dispatch appearing in the New York "Journal of Commerce" that his Department and the National Advisory Council would take part in a survey of world economic conditions planned by the State Department. It is pointed out that the NAC is made up of the Secretaries of State, Treasury and Commerce and the heads of the Federal Reserve Board and the Export-Import Bank.

Life Ins. Purchases In April Drop

Life insurance purchases in the United States in April showed a decrease of 9% from purchases in the corresponding month of last year although they were still 46% greater than the aggregate reported for April in 1945 and 87% over the April 1941 figure, it was reported on May 21 by the Life Insurance Agency Management Association of Hartford, Conn. Total purchases in April were $1,796,174,000 compared with $1,971,219,000 in April of last year and $959,153,000 in April, 1941, said the Association, which added:

"Purchases of ordinary life insurance in April were $1,269,132,000, down 14% from April a year ago but more than double the total in April, 1941. Industrial life insurance purchases in April amounted to $359,906,000, negligibly over the corresponding month last year and 20% over last year although they were still April, 1941. Group life insurance purchases were $167,136,000 in April, an increase of 21% over April a year ago and two and one-half times the figure for April, 1941. These purchases represent new groups set up and do not include additions of insured personnel under group insurance contracts already in force.

"In the first four months of the year total life insurance purchases were $7,102,137,000, an increase of 7% over the first four months of 1946 and almost twice the corresponding period of 1941. Purchases of ordinary life insurance accounted for $4,968,065,000 of the four months' aggregate, almost precisely the same amount as last year and more than twice the 1941 total. Industrial life insurance purchases represented $1,419,972,000 of the current year's total, an increase of 9% as compared with last year, while group life insurance purchases amounted to $714,100,000, an increase of 83% as compared with the first four months of last year."

April Cotton Consumption

The Census Bureau at Washington on May 19 issued its report showing cotton consumed in the United States, cotton on hand and active cotton spindles in the month of April.

In the month of April, 1947, cotton consumed amounted to 882,880 bales of lint and 85,161 bales of linters, as compared with 875,124 bales of lint and 88,745 bales of linters in March and 812,749 bales of lint and 90,140 bales of linters in April, 1946.

In the nine months ending April 30, cotton consumption was 7,802,330 bales of lint and 748,646 bales of linters, which compares with 6,769,817 bales of lint and 791,837 bales of linters in the corresponding period a year ago.

There was 2,112,346 bales of lint and 289,625 bales of linters on hand in consuming establishments on April 30, 1947, which compares with 2,257,524 bales of lint and 309,907 bales of linters on Mar. 31, and 2,387,846 bales of lint and 350,611 bales of linters on April 30, 1946.

On hand in public storage and at compresses on April 30, 1947, there were 2,506,678 bales of lint and 72,993 bales of linters, which compares with 3,354,119 bales of lint and 66,653 bales of linters on March 31 and 7,605,700 bales of lint and 68,677 bales of linters on April 30, 1946.

There were 21,804,590 cotton spindles active during April, which compares with 21,953,050 cotton spindles active during March, 1947, and with 21,470,671 active cotton spindles during April, 1946.

Greco-Turkish Aid Bill Signed

President Truman on May 22 signed the $400,000,000 Greek-Turkish aid bill in his temporary executive office in a Kansas City hotel, Associated Press advices from that city reported. Declaring the measure to be "a vigorous effort to help create conditions of peace" in the world, the President had an air of solemnity appropriate to the setting in force of an American foreign policy aimed at helping weak countries withstand outside aggression. The President took the occasion to compliment the press "on the manner in which the program was explained to the country." He said: "I think the press made a great contribution toward informing the people of the United States—toward showing just exactly what the intention of the legislation is."

Immediately after signing the bill Mr. Truman put his signature also to an executive order transferring certain administrative authority to the Secretary of State. The President's press secretary, Charles G. Ross, informed reporters that the appointment of an administrator of the program was "being worked on in Washington today."

The following is the President's statement accompanying the signing of the historic legislation, which he read to assembled members of the press, according to the same advices:

"The act authorizing United States assistance to Greece and Turkey, which I have just signed, is an important step in the building of the peace. Its passage by overwhelming majorities in both houses of the Congress is proof that the United States earnestly desires peace and is willing to make a vigorous effort to help create conditions of peace.

"The conditions of peace include, among other things, the ability of nations to maintain order and independence, and to support themselves economically. In extending the aid requested by two members of the United Nations for the purpose of maintaining these conditions, the United States is helping to further aims and purposes identical with those of the United Nations. Our aid in this instance is evidence not only that we pledge our support to the United Nations but that we'd act to support it.

"With the passage and signature of this act, our Ambassadors to Greece and Turkey are being instructed to enter into immediate negotiations for agreements which, in accordance with the terms of the act, will govern the application of our aid. We intend to make sure that the aid we extend will benefit all the peoples of Greece and Turkey, not any particular group or faction.

"I wish to express my appreciation to the leaders and members of both parties in the Congress for their splendid support in obtaining the passage of this vital legislation."

Even before President Truman had taken action on the bill to give $400,000,000 in financial and limited military aid to Greece and Turkey, a 20-man group, the vanguard of an American military mission, left by plane on May 19 for Turkey to draft blueprints for the $100,000,000 outlay planned to bolster Turkish defenses, Associated Press Washington advices stated. These advices also said:

The mission, officials indicated, will survey Turkey's needs in arms, new military roads and transport, rather than actually administering American expenditures. It thus has a status like the mission headed by Paul A. Porter which surveyed Greece's economic needs.

With modern equipment, Turkey hopes to be able to cut down the size of the forces mobilized to safeguard its Russian and Bulgarian frontiers, and thus reduce a postwar drain on its economic resources.

A larger official mission will go to Greece, but its selection has not been completed, because of President Truman's absence at the bedside of his ill mother.

Congress passed without debate on May 15 compromise legislation agreed on by Senate and House conferees authorizing a $400,000,000 program of military and economic aid to Greece and Turkey. Both the Senate and House gave ready approval to the bill comprising minor differences and sent it to the President, who had expected to sign it promptly in Washington, but the serious illness of his 94-year-old mother, at her home in Grandview, Mo., brought about his signing of the measure at the Kansas City temporary White House.

Under the legislation embodied in the bill which is in line with President Truman's plan for blocking the threat of Communist domination in the Near East, Greece is to receive $300,000,000 of the fund, in the form of a gift rather than a loan. Half of the amount is to be used by Greece in combating guerrilla bands operating along its northern borders; the balance is for internal relief and rehabilitation of industry. The entire $100,000,000 allotted to Turkey is intended for military aid.

The President has not yet named a director for the program, but has intimated his intention of doing so in the near future.

The House by a vote of 287 to 107, on May 9 had passed the bill differing in certain respects from a similar measure passed by the Senate on April 22, and which was referred to in the May 1, issue of the "Chronicle" page 2393.

Record Fertilizer Tonnage Available

The fertilizer industry made it possible for American farmers to use more commercial fertilizer in 1946 than they had used in any previous year.

Maurice H. Lockwood, President, The National Fertilizer Association, on May 16 made public the Association's annual report on consumption which shows that approximately 14,900,000 tons were used in 1946, representing an increase of 1,700,000 tons or 13% above 1945, the previous all-time peak. Consumption last year was more than twice as large as the average annual consumption in 1935-1939, the period immediately preceding the outbreak of World War II.

Distribution by commercial producers accounted for 14,530,000 tons of the total 1946 consumption, with the remaining 362,000 tons representing direct distribution by Government agencies. The fourth consecutive annual decline was registered in the tonnage distributed directly by the Government, and such distribution in 1946 was at the lowest point since 1939, although the Government bought, through its Purchase Order Plan, 888,700 additional tons.

In making public its 1946 compilation, the NFA gave the following reasons for the substantial increase in fertilizer use during the last several years: (1) The educational program carried on by the fertilizer industry, the USDA, and the state colleges of agriculture and their extension services; (2) A shift in crop production due in part to a change in the American diet; (3) The comparatively rapid growth in ferilizer use in the newer agricultural regions of the West; (4) The ability of the commercial plant-food industry to supply increased quantities of improved fertilizer.

Legislation for Scientific Study

Under legislation passed by the Senate on May 20, a National Science Foundation, to be operated at a cost of approximately $20,000,000 a year, would train promising young scientists and keep the United States on a footing with other world powers in pure scientific research, according to a United Press dispatch from Washington.

The bi-partisan bill, approved by a vote of 79 to eight, provides for a part-time board of 24 men, chosen by the President with Senate approval from the top echelons of science, engineering, education and public affairs, who would pass on policy decisions of the foundation. The United Press advices from which we quote, added:

As it went to the House the legislation would authorize the foundation to spend $20,000,000 a year to advance research in pure science and replenish the nation's war-depleted reserve of basic scientists.

Proponents, including many top-ranking scientists, pointed out that during the last decade most of this country's scientific effort was applied, rather than pure, research aimed at developing weapons of war, with the result that pure science lagged.

About half the Foundation's money would go each year to finance such basic research in colleges, universities and other institutions. The rest would be spent for scholarships and fellowships for promising young scientists.

One-fourth of the funds would be earmarked for research in state universities and land-grant colleges. The Foundation would take over the wartime Office of Scientific Research and its staff of 50 persons.

Initially, the Foundation would foster pure research in engineering, medicine, mathematical, physical and biological sciences and in national defense. It also would set up commissions to study the nature of cancer, heart disease and the common cold.

Death of Ambassador William S. Howell

A half hour before he was scheduled to leave for South America to assume his post as United States Ambassador to Uruguay, William S. Howell, 54-year-old veteran of the United States diplomatic service, died of a heart attack. His death took place at his native city of Bryan, Texas, Associated Press advices from that place stated on May 22. He was to have left Bryan that morning for New Orleans to sail for Montevideo. A daughter was to have accompanied him. In a message to the latter, Mrs. Rosemary McRae, Secretary of State Marshall, it is learned from the Associated Press, said in part:

I am distressed to learn of the sad death of the Honorable William S. Howell. Mr. Howell served with distinction. . . . The Department and the foreign service can ill afford to lose his services.

The Press advices also said:

Mr. Howell served in London under Ambassador John W. Davis; in Mexico City under Dwight Morrow; and at Prague, Warsaw, Havana and Panama. His last post was at Paris, where he was Charge d'Affaires. Since he resigned, in 1935, he had divided his time between New York and Bryan, dealing in stocks, bonds and oil.

Jap Current Assets for Reparations

A policy decision by the Far Eastern Commission, Allied governing body for Japan, approved May 8 and made public on May 20 states that Japanese reparations may be taken from the Empire's current industrial production as well as from its capital assets, Associated Press Washington advices said. Stating that "reparations shall be exacted through transfer of Japanese capital equipment . . . or goods as may in future be produced," the decision it is noted is a departure from the policy of the Western allied nations regarding German reparations.

There, under the Potsdam Agreement and over Russian opposition, it was decided that reparations should be taken only from capital goods. Further information in the matter is taken as follows from an Associated Press account given in the New York "Journal of Commerce" from Washington May 20:

While making both capital and current Japanese assets subject to allied reparations claims the commission said the occupation of the empire and its "minimum civilian standard of living shall not" be endangered by such exactions.

The Commission also said shares of Japanese reparations to the various allies are to be determined "on a broad political basis, taking into account damage suffered by each claimant country. . . ."

Japanese reparations shares, the Commission further stated, are also to be determined by "taking into account each country's contribution to the cause of the defeat of Japan, including the extent and duration of its resistance to Japanese aggression."

In further policy directives made public today, the Commission said Japan's reviving international trade is to be carried on only among those nations which can supply the empire with needed imports or currencies usable for procuring such needed materials.

Far East Commission nations seeking Japanese reparations presently are attempting to reconcile conflicting views on what share each should receive.

The United States is understood to be claiming the greatest share as the nation contributing the most to Japan's defeat. The U. S. however, desires nothing for itself, an official told a reporter. Any share granted to the U. S. would be turned over to Korea, the Philippines and other claimant nations. China is understood to be claiming 40% of whatever Japanese assets are allocated for reparations, the Philippines about 15% and other allies lesser amounts.

Allied nations represented on the Far Eastern Commission are: the United States, China, the United Kingdom, Australia, India, the Netherlands, the Philippines, France, New Zealand, Russia and Canada.

Scott Pres. of Nat'l Savings & Loan League

Curtis F. Scott of New Orleans was on May 27 elected President of the National Savings and Loan League, a nationwide trade organization for the savings and loan business with headquarters in Washington, D. C. The election occurred during the Fourth Annual Convention of the League at Swampscott, Mass. Mr. Scott is President of the Guaranty Savings and Homestead Association of New Orleans, which is a State chartered thrift and home financing institution. He served during the past year as Senior Vice-President of the League.

As Vice-Presidents the members of the League elected James J. O'Malley, President of the First Federal Savings and Loan Association of Wilkes-Barre, Pa., and Carl H. Ellingson, President of the First Federal Savings and Loan Association of Washington, D. C. John S. M. Glidden, President of the Natick Federal Savings and Loan Association, Natick, Mass. was reelected Secretary for another term.

The following were elected State members of the Board of Governors: Arizona, George E. Leonard, Vice-President of the First Federal Savings and Loan Association of Phoenix; Florida, Sam R. Becker, Secretary Treasurer of the Miami Beach Federal Savings and Loan Association, Miami Beach. Georgia, John L. Conner, President of the Southern Federal Savings and Loan Association, Atlanta; Maryland, Joseph L. Tillson, Secretary-Treasurer of the Citizens Building and Loan Association, Silver Spring; New Jersey, J. Alston Adams, Executive Vice-President of the Westfield Federal Savings and Loan Association, Westfield; New York, Philip M. Burkard, President of the Home Federal Savings and Loan Association of Ridgewood, Queens; Oklahoma, George E. McKinnis, President-Manager of the First Federal Savings and Loan Association of Shawnee; Pennsylvania, David Baird Fox, President of the Colonial Federal Savings and Loan Association, Philadelphia; Rhode Island, J. Bertram Watson, Executive Vice-President of the First Federal Savings and Loan Association, Providence; Texas, E. E. Shelton, President of the Dallas Federal Savings and Loan Association, Dallas; Wisconsin, R. J. Pittelkow, President-Executive Director of the Equitable Savings and Loan Association, Milwaukee.

Other members of the Board of Governors who hold over for another year are: H. C. Johnston, Little Rock, Ark.; W. J. Bowman, Albany, Calif.; James Fitzpatrick, New London, Conn.; Maurice E. Vasen, Qunicy, Ill.; J. Clinn Ellyson, Hammond, Ind.; D. A. Willbern, Coffeyville, Kans.; Frank Sweigart, Newport, Ky.; Irvin H. Schonberg, New Orleans, La.; Howard E. Mahan, Whitman, Mass.; J. Frank Brown, Hattiesville, Miss.; E. H. Busiek, Nevada, Mo.; H. D. O. Hammond, Roswell, New Mexico; Dink James, Greenville, N. C.; R. O. Holton, Dayton, Ohio; and S. J. Calderhead, Seattle, Wash.

19 States 100% ABA Membership

With the enrollment on May 16 of the last non-member bank in Vermont the number of states with 100% membership in the American Bankers Association is increased to nineteen, according to Max Steig, chairman of the Association's Organization Committee, Mr. Steig, who is cashier of the Dairyman's State Bank, Clintonville, Wisconsin, predicted that by the end of May, making the first nine months of the Association year, the membership in the Association, both in point of number of banks and percentage of the total banking resources, will have exceeded all previous records in the 75 years of ABA history.

Besides Vermont, the states having 100% ABA membership are: Alabama, Arizona, Arkansas, Colorado Delaware, District of Columbia, Florida, Idaho, Louisiana, Nevada, New Mexico, North Carolina, North Dakota, Oregon, Utah, Virginia, Washington, and Wisconsin.

Industry's Problem in Offsetting High Wages

(Continued from first page)

sales. As a matter of fact, during 1946 we found that we lost money on a month's sales of $42 millions. Of course, there were some abnormal causes for an operating loss on this volume of business—causes which we hope are being eliminated. Nevertheless, consider what this meant. It meant that, at this monthly rate, we had to do substantially more han $500 millions of business a year to break even, let alone make a profit. The $200 millions of annual sales that would give us a satisfactory profit before the war now is totally inadequate. It meant that our operating costs had increased so tremendously that we simply had to expand production to do a greater volume of business — and it posed the problem of cutting costs wherever possible.

More Production at Lower Cost

This is not only Westinghouse's problem. It is one faced by industry generally. More production at lower cost is the only way we can reduce prices to consumers and make the profit necessary to keep us in business.

Probably all of you have read President Truman's statements on the necessity of price reductions. It is obvious that considerable government pressure is being generated to bring about price cuts. It is even possible that competitors will be authorized to get together and work out joint price adjustments. Normally, this would be conspiracy.

So, facing industry is the broad and difficult problem of getting out more goods at lower cost at a time of extremely high expense. And this is the point where certainly we must look to you and your industry for help.

Labor, or human energy if you want to call it by another name, has come to be a major item of cost in manufacturing—and one most difficult to control. For some time, as we all know, there has been a trend toward limitation of the human element of productivity. Many forces are at work which limit the capacity of the individual to produce.

This means we can't depend upon increases in individual productivity to solve our problems. I am not minimizing the value of promoting and stimulating individual effort and initiative — but very definitely we have experienced a rise in the cost of labor without a corresponding increase in effort to produce.

Paid for Unrealized Production

What we really did in the transition from war to peace was to pay labor in advance for production that did not materialize. We—and I'm talking about the country, not only Westinghouse—have paid ourselves wage increases for an increased volume of output that has not yet been produced. New wage increases now being granted are simply extending the situation. I am not debating the justification for wage raises; I am merely pointing out that labor costs still are on the rise and that we are confronted with a dangerous situation.

It is dangerous because it points to the possibility of a reversal in the factors that have made possible the American standard of living. These factors have been increasing production per person, increasing exchange of goods, and decreasing unit labor costs of the goods that are produced.

Now, however, we are faced with a trend in which unit labor costs are rising—chiefly due to the fact that wages and salaries have been increasing faster than production per man-hour. That is why I say the situation is dangerous. It is a condition that has been explored rather thoroughly by Frank D. Newbury, Vice-President of Westinghouse and well known economist.

Mr. Newbury is convinced, and rightly so, I believe, that unit labor cost is a basic and much-neglected factor in our industrial system. Unit labor cost represents the composite wage-salary rate per hour divided by the average number of units of production per man-hour.

If the wage-salary rate alone increases, then the unit cost is increased; if production per man-hour increases, without the wage rate changing, the unit cost is decreased. Or, if the wage rate increases at a greater rate than production per man-hour, the unit cost is increased.

Mr. Newbury has found — and this is something that many of us may not have realized—that unit costs in American manufacturing have been rising since 1933—and that this trend has greatly accelerated since 1941 and again since the autumn of 1945. The recent practice of paying wage increases in advance—of paying for production that hasn't yet been turned out—only stimulates this trend.

Mr. Newbury points out that unit labor costs have risen before in our industrial history, but only for a few years at a time. They rose for six years during and following World War I. But this trend was reversed by the deflation of 1920-21. It would be extremely unfortunate if the current trend can be halted only by a deflationary, or depression, period.

I am dwelling on the subject of unit labor costs because I believe they show more clearly than anything else the problem we face—wage and salary rates rising faster than production per man-hour.

Solution of Cost Problem

Where do we look, then, for a solution to the problem? To the same source, of course, that we have turned to and utilized in the past to reduce unit costs and thereby increase productivity and real incomes and at the same time reduce prices. I mean to new designs, new materials and to further mechanization.

Increased use of mechanical power and of power-driven tools and equipment must do the job. If output per man-hour is to be increased, is to catch up with the other half of the unit cost team—wages and salaries—it will have to be done with more fully automatic machine tools and with production processes that reduce the human equation to the greatest possibe extent.

I am not going into the specific subject of what types of equipment are needed or the particular problems within Westinghouse. As the program continues, you will hear a good deal on our problems and needs and on our efforts to aid your industry. I can tell you that Westinghouse already has substantially expanded its plants and production facilities and has acquired new plants. Our machinery requirements, of course, have been large. You might be interested to know that from 1942 to 1946, inclusive my Company bought more than $40 million worth of machinery—and this figure doesn't include such items as ovens, furnaces, trucks, etc.

More Mechanization

Fortunately, history has shown that increased mechanization yields greater benefits to everybody concerned—employees, consumers, and owners—in fact, to the entire country. We know that use of more automatic equipment does not result in widespread unemployment or reduced purchasing power. We have only to compare ourselves with other countries to appreciate the role of mechanization in boosting living standards.

For example, in 1939, the daily horsepower-hours of mechanical energy available per person in Russia was 1.9. In Great Britain it was 7.6. And in the United States it was 11.9.

The American workman can earn one day's food for his family by an hour and a half's labor. The Russian workman must work 10 hours for the same result.

In other words, the Russian worker has the use of about one-sixth the mechanical power that is available to the American worker — and consequently he takes six times as long to produce an equal product.

These figures should be significant to those who find the way of life and government abroad more attractive or desirable than the American way. Unhappily, there is evidence that too many in this country are willing to toss overboard the industrial system that gave them the world's highest standard of living with the greatest individual freedom.

I am thinking now of a national survey which was made recently by the Psychological Corporation. This survey showed that 24% of our people believe they would get more for their money if all business and industry were owned and operated by the government. An additional 9% thought they would get just as much for their money under government ownership. Evidently they think that by putting business under government control they will eliminate the evils mistakenly attributed to the profit motive of private enterprise.

Yet it was only the profit motive which gave industry the initiative to venture, to risk, and to progress. The trouble is too many people think of profit in terms of greed, of something wrested from worker and consumer. They don't realize that profit properly is the rent paid for tools and facilities made available by the investments and savings of others. They don't understand that profits are reinvested in industry to the ultimate benefit of labor, consumer, and investor. What too few workers realize is that sufficient profits to maintain a healthy business are a necessary foundation for higher wages.

Again, in the face of unsound pressures and dangerous trends, industry is being called upon to do the impossible—produce more goods at lower prices, while shouldering higher operating costs. And again industry looks to the machine tool builders to help it produce more at less cost. It is especially fitting, then, that we meet with you at this time to discuss our problems and endeavor to find solutions to them.

April Freight Traffic Handled 39½% Higher

The volume of freight traffic handled by Class I railroads in April, 1947, was 39.5% above the reduced volume handled in April, 1946, when the bituminous coal strike reduced the production of coal and affected the output of all industry, the Association of American Railroads announced on May 23. April, 1947, traffic amounted to 52,200,000,000 ton-miles, according to estimates based on reports just received by the Association from Class I carriers.

The following table summarizes revenue ton-miles for the first four months of 1947 and 1946 (000 omitted):

	1947	1946	% Inc.
Mo. of Jan.	53,294,374	48,225,789	10.5
Mo. of Feb.	48,485,909	45,080,780	7.6
Mo. of Mar.	*55,500,000	52,392,340	6.0
Mo. of Apr.	†52,200,000	37,410,884	39.5
Tot. 4 mos..	209,480,283	183,109,793	14.4

*Revised estimate. †Preliminary estimate.

Class Conflict Idea, A Threat to Freedom

(Continued from first page)

of the world on their ears and prepared the way for the most destructive war in history.

Then again, ideas may take tangible form. The Westinghouse air brake was an idea, yet without it modern railroad transportation could hardly have developed. The internal combustion engine was an idea; Henry Ford and others took it and put a nation on wheels, thus transforming America socially and economically. The telephone was an idea, and it has become the indispensable ally of commerce, industry and finance. Wireless communication was an idea, and it has joined the ends of the earth together.

Still once more, an idea may take the form of a slogan. It was Cato the Censor who used to close every speech in the Roman Senate with "Carthago delenda est"—"Carthage must be destroyed"—and Carthage was destroyed. It was Rousseau who spoke of "Liberty, Equality, Fraternity" — and wrecked an empire. A chance remark about "A Scrap of Paper" became a slogan for the first World War. The phrase, "He Kept Us Out of War," carried the idea that elected a President. And think of what the three words, "The Forgotten Man" have done in our own times!!

Ideas!! Ideas expressed in pictures, in music, in written words, in tangible things, and even in slogans! These are the things that move men, that lead to progress, that change the course of history, and eventually transform the world.

War of Ideas

Now to any thinking man or woman there is nothing so important as the fact that ideas are at war in the world of today. These ideas are so diametrically opposed to each other that there may be only one final outcome—one or another must prevail. The reason for this is that these ideas go to the very roots of human behavior and to the very foundations of human society. As matters are presently shaping themselves throughout the world it begins to look as if compromise on them is humanly impossible, because one set of them aims at the complete destruction of society as we have known it for many generations. Nothing less than that will satisfy its adherents.

What are these ideas?

Well, to begin with, there is the idea of class conflict, or class warfare, one of the most dangerous ideas ever preached. It had its clearest definition and its greatest impetus in the middle period of the 19th century when it was stated by the great apostle of Communism, Karl Marx, and his collaborator, Friedrich Engels, in the "Communist Manifesto." In that document they said: "The Communists disdain to conceal their views and aims. They openly declare that their ends can be attained only by the forcible overthrow of all existing social conditions. Let the ruling classes tremble at a Communistic revolution. The proletarians have nothing to lose but their chains. They have a world to win. Workers of the world, unite!"

Spread of Communism

From that statement of an idea there has been developed one of the greatest international movements in the history of the world, a movement which, if it cannot get its idea accepted in the open forum of public discussion, does not hesitate to create secret "cells" anywhere for its propagation. Indeed, there is not a civilized country in the world in which it has not already been preached, and it has penetrated to the far corners of the less-advanced countries as well.

That this idea of class conflict has permeated the minds of millions of people is a fact too patent for denial. For example, Russian thinking, in official circles at least and among the entire ranks of its Communist minority, is dominated by it. The so-called "proletarian revolution" of 1917 was its greatest achievement up to that time, while the creation of an alleged "classless" society in Soviet Russia is its crowning glory. Armed hordes of guerilla fighters in China are trying to achieve a similar revolution there. Much of the thinking of certain continental European peoples is colored by the same idea. This is especially true in the Eastern third of Europe where the Russian political orbit extends. But it is also true in parts of Western Europe, and particularly in France—a surprise to those who used to think of France as being a country of real individualism. Then, too, it can hardly be denied that a considerable amount of thinking in British Labor circles is profoundly influenced by the same idea of class conflict. Even here in America, and in spite of the fact that it is not so baldly expressed, it is obvious that the concept of class conflict lies at the back of the thinking, the strategy, and the tactics of some of the leaders in the labor movement. Indeed, there can be no other explanation for many of their public statements nor any other explanation for many of their activities. The Dominion of Canada has, within recent months, been made vividly aware of the presence of many evangelists of this gospel of hatred inside its borders, and the work of some of its emissaries has penetrated right into the very precincts of its Parliament Buildings in Ottawa. To the south of us almost every one of the Latin American republics has been made conscious of their presence too, and thus the international character of the movement, as well as its international activity, is amply demonstrated. One cannot help wondering if Marx and Engels ever dreamed that their disruptive doctrine would travel so far.

Along with this idea of class conflict, and even complementary to it, goes the idea that capitalism, as a system of economic organization, is not only fundamentally wrong but also effete and on its way to final collapse or destruction. So sure are some of the leaders of Communism about this that they are said to be waiting patiently for the next great economic crisis in America to signal the final death throes of the capitalistic world, and to usher in the world-wide proletarian revolution. Their argument is to the effect that the capitalist system is purely exploitative and that, being so, it carries within itself the seeds of its own eventual disappearance; that in place of the individual enterprise of the capitalistic system there should be set up State enterprise in the interest of ALL people, thus putting an end to exploitation by the favored few, and so creating a more comfortable world for the masses of the people.

Marx put it this way: "You are horrified at our intention to do away with private property. But in your existing form of society private property is already done away with for nine-tenths of the people; its existence for the few is due solely to its non-existence in the hands of those nine-tenths."

And while Marx, as he himself said, "did not sit down to write the kitchen recipes of the future,"

he left no doubt as to what was in his mind about the fate of private property in his ideal world. It would be abolished, with the possible exception of private ownership of "personal effects and articles of consumption: food, clothing, furniture, pictures, and books."

Argument Against Capitalism

Now, the argument against capitalism and in favor of State enterprise naturally does not mention the fact (and it is already a demonstrated fact) that under the proposed state system there will have to exist an all-powerful bureaucracy which will do all the economic planning and oversee the carrying out of the plans; that this bureaucracy will have the power of life or death over every kind of economic activity; that it will determine not only where industrial and other activities will be carried on but also under what conditions; that it will place materials only where it wants them; that it will plan the locations of cities and towns; or that workers will be compelled to work where they are sent and under whatever conditions (wages, hours, and so forth) are prescribed by the same bureaucrats. That is the actual practice in Russia today, and it is to be the practice of the Labor-controlled Britain of tomorrow.

In addition, the argument for state enterprise as envisioned by the Communists of our day is careful not to reveal the fact that no one may oppose the over-all plans of the bureaucrats; nor the further fact that, if he does so, he may be "liquidated" either figuratively or literally. The proof that such a fate may befall him is to be found in the history of the Russian Kulaks—the little individual farmers whose farms were expropriated and many thousands of whom were ruthlessly killed for no other crime than that they wanted to keep what was their own. They had earned it by the toil of their bodies and in the sweat of their brows, and they could see no good reason why it should be taken from them to further the plans of the bureaucrats.

Another idea is that man exists for the state and not the state for man. There are many who seem to think that when we disposed of Fascism and National Socialism, and thus rid the world of Hitler and Mussolini, we had finally disposed of this idea. But even a casual acquaintance with the conditions that exist over wide areas of the world today is enough to show how false such a conclusion is. The manner in which the daily lives of millions of people are being directed, or importantly influenced, by the actions of governments is proof positive that the idea is vigorously alive and even being extended. Russia, of course, is the prime example. But in this respect she is again not alone. The nationalization of economic life in Czechoslovakia can mean only that the government of that country places itself in the position of a guide, director, or even a dictator to its people. The increasing participation of the government of France in the affairs of its people is a clear indication of the submergence of the individual. The progress of socialization in Great Britain can have no other meaning than that government is growing stronger while the importance of the individual is being lessened. And no man who knows the history of the British people can do anything but wonder at this; for in the long history of man's struggle for freedom no people have fought harder to assure that government is man's servant and not his master. They even cut off a king's head in order to get away from the idea of the divine right of kings. And it might be added that the overweening importance of government compared with that of the individual seems to have been successfully asserted in Argentina.

The idea of the supremacy of the state is as old as political philosophy. Time and again since ancient days it has been asserted and reasserted by political thinkers, by writers, and by political practitioners. Time and again men have been regarded and treated as pawns in a chess game in which the players were rulers who had come to power by ruthless slaughter, or by "divine right," or by revolution. Time and again the urge of men for freedom has given these rulers the same answer; yet the idea continues to bob up; and it is with us again.

State Not Our Master

It need hardly be added at this point that we ourselves have had some recent experience with those who would magnify the role of government, and that, at this very moment we are trying to undo some of their handiwork and get back to the point at which we may again fairly say that government is our servant, and not our master.

Of course, one aim of those who would restore government to the position of dominance is to get rid of all influencial political opposition. They do so by controlling, as far as they can, the sources of public information and education. That means control of the press, of the radio, of the motion picture, and of all other possible sources of opposition. It means also the control of imported ideas insofar as they enter a country by mail, through books, and through magazines. For the political totalitarian cannot tolerate the circulation of ideas contrary to his own, regardless of their source. That is the meaning of "the iron curtain" of which Winston Churchill complained; and it is a curtain that shuts information in as well as shutting ideas out. But the political totalitarians go one step farther: they stifle political activity at home by trying to make sure that the representatives of only one political party gain authority among their people. Under Mussolini only one name appeared on the ballot — Mussolini's. Under Hitler only one name appeared on the ballot—Hitler's. Under Stalin only one name appears on the ballot—Stalin's. In these ways the old idea of the supremacy of the state is revived in modern days.

Still another of the means by which the power of government is magnified is by the simple device of getting control of the purse! The classic illustration of this on the good side is to be found in the record of the British people. When they found that their rulers were exercising more authority than seemed to be proper, the elected representatives of the people adopted the simple device of refusing to vote appropriations for the usual or the unusual expenditures of government. And when a king who was anxious to assert his power suddenly found himself with a lean purse, it did not take him very long to yield to the will of the people. Even on this continent in Colonial days there were royal governors of colonies who found their wings clipped by this very examplary device. But in our own times, we have seen this safeguard of the people's liberties sidetracked by the trick of asking for, and getting, a blank check, and then using the proceeds for purposes about which the representatives of the people were not consulted. In the more totalitarian countries, of course, those elected to positions of power follow the simpler device of merely taking what they want.

Totalitarian Propaganda

There is still another means by which the political totalitarians achieve their aims, and that is by setting up the machinery of propaganda which will pour out, day after day, reams of releases and screeds of "information" to the press in the hope that much of it will be printed and read, thus "conditioning" the minds of the masses in favor of the program of the totalitarian. By this means the very wellsprings of public information are polluted. And if the radio can be used, or influenced, by the same technique, it also is brought into service. Radio commentators are either hired or otherwise influenced by "handouts" in the hope that their thinking and their comments will also follow the "line." Even the shady trick of subsidizing the advertising income of the press is sometimes employed in the hope that, by this means, editorial policies and opinions may be slanted in favor of the bureaucrats and the totalitarians. The examples of these practices in recent times abroad, and even here in America, are too numerous to be detailed in a few minutes. But it may be remarked in passing, that the suspension of the publication of a great liberal newspaper recently in Argentina is a glaring example of the extent to which such practices can be carried, while there are those in Britain who are convinced that the Labor Party there recently tried to stifle criticism of their coal nationalization policy by suspending the publication of newspapers and magazines on the excuse that it would save electricity and thus save coal. The actual saving was almost infinitesimal. But the whole policy of positive and negative propaganda is designed to support the power of government and to lessen the importance of the individual.

Taxation as Instrument of Social Policy

There is one other idea at work today to which a few moments' attention may profitably be given by such a gathering as this. It is the idea that taxation can, and should, be used as an instrument of social policy. That was not the old idea of taxation. The old one was that government should tax only to carry on its necessary and proper activities; and these activities were very carefully defined and very meticulously limited! Gradually, however, one government after another (including our own) has expanded the area of its operations until the most recent proposals seem to encompass almost everything "from the cradle to the grave."

Now, these things can be financed in only three ways. The burden may be levied on accumulated wealth. It may be levied against current income. Or it may be placed as a mortgage on the future. Perhaps a combination of these would do the trick. But in one way or another the bill has to be paid. If it is paid by taxes against accumulated wealth, then the reward we have always allowed for unusual effort will be taken away, and we will thus also penalize one group of people for the benefit of another. If it is levied against current income, then we will obviously be penalizing the ambitious, the able, and the industrious for the benefit of the unambitious, the incompetent, or the lazy. And if we levy a mortgage on the future we will either make posterity pay the bills of present generations or build up a load of debt so great that future generations cannot pay and will be compelled to repudiate it. The first two methods will inevitably involve a leveling process in which the more capable will get the rewards of mediocrity while the laggards and the incompetent will, by government action, be enabled to live in comparative comfort, while the third process almost as inevitably means the wreck of economy. It was John Marshall who said, "The power to tax is the power to destroy." And the record of history has given meaning to his dictum!

Of Significance to Trustees

Now, what does all this mean to the trust man? Stated in forthright words, it means that there are ideas at work in the world of today which, if put into concrete action, may spell the end of the institution of private property as he has known it and as his institution was set up to serve it. For, if class conflict spreads, if state enterprise replaces private enterprise on a wide scale, if the individual is to be submerged both politically and economically, and if government is to assume responsibility for the welfare of great masses of individuals, then the importance of private property and the principle of inheritance must decline. There can be no other logical conclusion. It would seem, therefore, that at such a stage in human affairs, the wise trust man will not be satisfied with being merely a good technician in trust matters. He must be more! He must be a student of political, social, and economic trends. And he must be an apostle (an evangelist, if you will), preaching the economics of private enterprise not only to those whose property he hopes to administer, but to all those with whom he comes in contact.

That gospel will not yet fall on unwilling ears, for Americans as a whole still believe in it. But the record shows clearly that time is running out. Russia with its Communism, many other countries with their leanings on the direction of Communism, and Britain (the mother of democracy and the mother of free enterprise) with its recent swing to socialization, are the incontrovertible proof of this. And if any trust man in America is smugly saying, "It can't happen here," then he is merely blind to the implications of what has already happened here. The proletarians are on the march! And they have already won some notable victories.

Senate Group Hearings On Fulbright Bill

A Senate committee which is hearing testimony on the Fulbright-Aiken bill, to establish a Government clearing house for technical information, was told by Dr. J. E. Hobson, Director of the Armour Research Foundation, on May 21, that although he considered the provisions for collection and dissemination of information "fine," he was opposed to certain portions of the bill. These referred, according to advices to the New York "Journal of Commerce" from its Washington bureau, to provisions which would authorize the Secretary of Commerce to undertake research through government agencies and to initiate and sponsor research and development projects by private organizations. "There has not been sufficient attention given to getting support of scientific development from industry," the Midwestern scientist asserted. "There has been too much emphasis on the Federal Government."

Dr. Hobson opposed giving the Government patent rights in inventions developed by private institutions holding research commitments from the Secretary of Commerce.

From its Washington bureau the "Journal of Commerce" further reported:

"War Department support of the Fulbright-Aiken bill was voiced by Maj. Gen. Henry S. Aurand, Director of the Research and Development Division, War Department General Staff.

"General Aurand told the Senate group that the Army is 'entirely dependent on the scientists and technicians.' The Army, he said, cannot work behind closed doors and a two-way flow of information is essential.

"He pointed out that the proposed clearing house would aid the Army by carrying on the work done by the National Inventors' Council during the war and, that its large library of information would result in greatly reducing the cost of preliminary documentary research.

"General Aurand and H. R. Pasley, Counsel for the Office of Naval Research, both told the committee that the proposed bill would not affect present Army and Navy patent procedures and they added that their respective services do not want their methods changed."

Southard Joins Treasury

Secretary Snyder announced on May 26 that Frank A. Southard, Jr. will join his staff on July 15 to be in charge of the international financial and monetary work of the Treasury Department. Mr. Southard is now Professor of Economics and Chairman of the Department of Economics at Cornell University, Ithaca, N. Y. From June 1941 until he entered the U. S. Navy in July 1942, Mr. Southard was Assistant Director of the Division of Monetary Research in the Treasury Department. From the Treasury Department announcement we quote:

"Mr. Southard was graduated from Pomona College, California, in 1927, and received his Ph. D. from the University of California in 1930. After one year as Economics Instructor at the University of California, Mr. Southard became Assistant Professor of Economics at Cornell in 1931, was promoted to Professor in 1939, and remained with Cornell University until he joined the Treasury Department in Jan., 1941. He worked with the Tariff Commission during 1935 and was principal economist in the Division of Monetary Research of the Treasury Department in 1938. For nine months during 1934-35 he did research in international finance with the Carnegie Endowment and for eight months in 1940 had a Guggenheim Fellowship, during which he made a survey of monetary policies in Chile and Argentina. He is the author of several books in the field of international monetary affairs.

"Mr. Southard left the Treasury Department in July 1942 to enter the U. S. Navy. He served originally in Intelligence work and later in Civil Affairs work in Sicily and Italy, dealing with financial and monetary problems confronting the Allied Forces in that area. He was financial adviser to Allied Forces Headquarters in the Mediterranean, and Chief of the Economics and Finance Branch, Civil Affairs Headquarters, 7th Army. Mr. Southard was awarded the Legion of Merit for his services in the U. S. Navy. Upon his release from the Navy in 1945, at which time he held the rank of Commander, Mr. Southard returned to Cornell University."

Cotton Spinning for April

The Bureau of the Census announced on May 22 that, according to preliminary figures 23,907,600 cotton system spindles were in place in the United States on April 30, 1947, of which 21,804,590 were consuming cotton the last working day of the month, compared with 21,953,050 in March, 1947, and 21,470,671 in April, 1946. The aggregate number of active cotton spindle hours reported for the month was 10,242,721,975, an average of 428 per spindle in place, compared with 10,029,510,440, an average of 421 per spindle in place, for March, 1947 and 9,147,322,056, an average of 384 per spindle in place for April, 1946. Based on an activity of 80 hours per week, cotton consuming spindles in the United States were operated during April at 121.7% capacity. The percent on the same activity basis was 125.4 for March, 1947, and 109.9 for April, 1946.

Pied Piper of Washington, S. 472

(Continued from first page)

and S. 472 (the so-called Taft education bill) are for unspecified, general assistance. Senator Aiken estimates his bill would provide $400, $600, $800 million in aid for each of the next three fiscal years, respectively, $1 billion for 1951 and $1.2 billion for each year thereafter. It sounds like the old familiar Amos 'n' Andy count. Senator Taft is promoting a somewhat less startling expenditure, but even so, one which begins with $150 million, increases each year so that in a four-year period it would exceed the total spent in the last ten or 12 years for the above mentioned purposes. Of these four bills, the latter one, which carries the same Federal aid formula as the Taft-Hill-Thomas education bill which was not acted upon by the last Congress, seems most likely to win favorable consideration, if not action. And it is the technical detail of this bill which is analyzed in this article.

First, however, by way of a disclaimer; it is hereby declared that discussion of the formula is to be interpreted in no way as endorsement of its underlying policy; any similarity between the following analysis and favorable comment is not intended. It is still a highly controversial subject, with basic policy questions not yet answered. Is it fitting that general education, made compulsory by State law for the children of its citizens, and traditionally a local function, should have the unrequested blessing and ultimate burden of Federal aid bestowed upon it? Is it wise to begin another paternalistic program when the fiscal status of the States is one of greater solvency than the Federal Government, when the conferees on the legislative budget cannot agree on an expenditure ceiling even for existing legislation? Is it necessary? What justification or even defensible reasoning is there for a new frontier of Federal aid? Need is of course the classic response. In regard to Federal aid for public assistance, the *raison d'etre* was the great depression; an "emergency" existed, and the Federal Emergency Relief Administration was created. This was the father of Federal participation in public welfare. And when the waters receded there stood the ark of social security. But it was not left high, dry, and deserted; it has been kept afloat and tenanted, and even now draws almost a billion a year in Federal funds. There *is* a moral to the story: beware the camel's nose. If the States operated all through the depression years into their currently favorable circumstances without requesting Federal aid for education: (and it is doubtful if this bill is the result of pressure from the States themselves for Federal help), is there a need now to establish annual grants for general education purposes at $150 million to start, and $250 million annually a few years later?

As to the formula itself—a most complicated one—here is the story. It is of course computed on a State by State basis. First, multiply the number of children in the age group from 5 to 17 inclusive, by $40. This becomes a kind of spending standard. Next take 1.1% of the *average* of five years' income payments, beginning with the "third year next preceding the year for which computation is made." This might be called the standard expenditure expected of each State. Then if this latter figure is less than the $40 per child result, the difference becomes the base for aid due. This base, however, is reduced before actual allocation of aid is made. This decrease, or penalty, is figured according to an effort index. "Effort" is indicated by the percentage ratio of State and local education expenditures (from their own sources, for primary and secondary schools) to the average annual income payment for the same five-year period. The standard, or the "incentive" index is 2.5% of that income payment figure, and the penalty is a proportionate reduction of the aid-due base for indexes lower than 2.5. For example, a State whose effort index is 2.0 will be actually allocated only 80% of the basic aid due. This incentive feature is further spiked after the formula has been in operation for four years. If the effort index by that time has not been increased to at least 2.2% of a three-year average for income payments, no aid will be allocated. However, this is a subsequent factor and has no bearing an analysis of the primary characteristics of the formula.

Before the dollar effects of the formula are disclosed, some of the components merit comment. For example, the formula specifies that Department of Commerce child population figures be used. Yet the Department of Commerce does not use this age grouping; its routine breakdown is as follows: under five; five to nine; 10 to 14; 15 to 19, etc. Also, its figures are estimated on the basis of a sampling. Probably a more dependable school population base would be the five to 17 age group figures estimated by the U. S. Office of Education. School enumeration figures would seem to be more reliable than projected sampling figures. However, the primary criticism of this factor is not its source, but choice of the subject itself. Enrollment figures would be not only more accurate, but much more realistic. Population five to 17 over-estimates public school requirements It would include some pre-school and kindergarten children, those in private and parochial schools, and those not enrolled for other reasons. This latter would include those above the compulsory age limit for school attendance in any state. In all but four states this requirement is up *to* age 16; but the formula includes *through* age 17. The use of enrollment figures would therefore prevent such an inflation of need for aid.

Another feature which inflates need as determined by the formula is its use of a five year average of income payments for the aid-due base. This underestimates the present capacity and effort of the states by diluting the most recent of a series of rising payments with earlier and lower figures. Thus, in the current situation, inflated evidence of need results. Conversely, in a period of decreasing income payments, when some need could more logically be presumed, the five-year average would work to the states' real disadvantage by underestimating need to whatever extent the averaging of earlier, higher payments distorted the picture of the more current, low payments. Also, the source of state revenue, its tax base, is not likely to be spread as far back as five years; it might be more nearly only two. But even a three-year average would be more realistic. The relation of the $40-per-unit-of-population standard, to an ability index of 1.1% of a three-year average of the revenue source, would be a far more reliable indication than the five-year base, of a state's current capacity to pay for its own operations. Incidently, since the population in the age group five to 17 has been decreasing, it is also somewhat inflationary for the formula to use only a one-year base for this, and that one, the third preceding the year of computation. Thus the diagnosis of an aid-due base, by way of a five-year average, is unreal in two respects: it inflates need and minimizes effort.

The use of 1.1% of the income payment figure as an ability index also inflates need, because it is low. In the first place, the bill admits this is low by its inclusion of an incentive clause and a penalty after four years for effort under 2.2% of a three-year average. The per cent required will not result in as many actual dollars as the difference between 1.1 and 2.2 might suggest because the base, the three-year average, will be higher. Nevertheless, it still denotes that 1.1% *is* low. In the second place, the ratio of actual school expenditures to this income payment base is in every state well above 1.1 now. The lowest ratios are of course in the states where income payments are highest. However, the latter fact is not the main point. The significant aspect of it is this: implicit in the formula is the judgment of those who are sponsoring the bill, that a just and proper standard at this time for the states to spend from their own revenues is an amount equivalent to only 1.1% of a five-year average income payment. In other words, since all states already spend more than this, the bill says in effect to them: "You are all doing more than we now feel is standard expectation, but since the rich states can afford to spend above this ceiling if they want, the federal government will subsidize only the poorest states." The aim seems to be to relieve the poorest states of some of the assumed hardship they have in spending what they are now spending; therefore, with the aid of federal funds now, in a few years the government can expect them to spend at least what they are now spending, before the government increases its aid. If this is not a reasonable facsimile of a vicious circle, it is at least a circumlocution of the real issue: *Do* the states need federal aid for education now?

Now, let's look at the results of applying the S. 472 formula to the only data available for the computation year, 1947. The U. S. Office of Education estimates of population aged five to 17 inclusive are multiplied by $40 to obtain the "spending standard." The average of Department of Commerce income payment figures for 1940 through 1944 is computed and 1.1% of this becomes the "standard expectation" of state expenditure. The actual expenditure figures are from the Office of Education, and these related to the average income payment produce the "effort index." After applying the percentage penalty adjustment to the difference between standard expectation and the spending standard, the resulting figure is the amount of aid to be allocated.

The overall results of this process are seen clearly when the states are listed according to supposed financial status. Ranking the states according to 1940 per capita income payments, the 17 "richest" states receive no aid. Although six other states receive no aid either, the formula first takes effect with the 18th state ranked. This happens to be New Hampshire. It would receive only $127,000, which is less than 2% of the $6,894,000 it actually spent in 1944. A half dozen other states would also receive small amounts, ranging from $218,000 to a little over a half million. In all, 25 states would receive aid, those at the bottom of the income payment ranking receiving the most. Aid would total about $150 million.

The real test of how the formula works is thus the allocation of aid to the poorest states. In the following table are the most pertinent figures in the formula for the 15 states with the least financial capacity, according to the income payment measurement. In regard to this as a criterion, it would be interesting to have an opinion poll as to whether or not the people of these states considered themselves the indigents of the union. Imagine a Texan admitting the Lone Star was a pauper cousin to California!

EFFECT OF THE PIED PIPER FORMULA

(Dollars in thousands)

The Poorest States in the Union	(1) Spending Standard: $40 per child	(2) Standard Expectation 1.1% of income	(3) Actual Expenditure: 1944	(4) Effort index	(5) Allocated Aid (after effort index penalty)	(6) % Ratio (5) to (3)
Texas	$63,000	$49,476	$88,683	2.0a	$10,668	12.
West Virginia	19,960	11,724	33,528	3.1	8,236	25.
South Dakota	5,480	4,402	12,763	3.2	1,078	8.
North Dakota	5,800	4.587	11,944	2.9	1,213	10.
Louisiana	24,440	15,677	32,713	2.3	8,044	25.
New Mexico	6,080	3,260	10,541	3.6	2,820	27.
Oklahoma	21,400	14,190	34,246	2.7	7,210	21.
Tennessee	29,560	17,180	30,599	2.0a	9,701	32.
North Carolina	39,080	20,082	47,465	2.6	18,998	40,
Georgia	33,000	18,271	30,473	1.8a	10,811	35.
Kentucky	28,160	14,839	31,198	2.3	12,325	40.
South Carolina	21,720	10,052	21,194	2.3	10,823	51.
Alabama	31,600	15,101	28,565	2.1a	13,734	48.
Arkansas	19,520	9,038	16,780	2.0a	8,562	51.
Mississippi	23,800	9,198	18,796	2.2	13,130	70.

a. After fourth year these states would not receive aid until the ratio was at least 2.2.

Note that, although Texas is already spending over $25 million more than the $40 per child standard, nevertheless, the amount to be expected of her is $14 million *less* than the spending standard; thus the formula allocates almost $11 million. Look at South Carolina and Arkansas. Assuming they are comparatively less well off than some of their northern sisters, are they in such a fix that, although their school expenditures are already close to the spending standard, they really need federal aid in amounts equivalent to half of what they now spend? North Carolina and Kentucky now spend above the $40 standard, yet are expected to meet only half of those expenses, and aid allocated is equal to 40% of actual expenditures. Granted Mississippi is in need—she has been for years on the bottom rung of the income payment ladder—should she be expected to expend from her own revenues only $9 millions when she already spends over twice that? Granted even that she should spend about $24 million, which is only $5 million above her actual expenditures; does she need $13 million in federal aid, or an increase of 70% in expenditures?

The formula is, of course, designed to diagnose variable need. And it does—at great extremes. It results in greater differential allocation of aid than any method so far proposed. Column (6) in the table indicates the wide range even among the "neediest" states. The ratios for the other states receiving aid under the formula, but not listed in the table, range from 1% to 15%. The total variance then, among states allocated aid, is from 1% to 70%. The very existence of these resulting extremes suggests that in the determination of need the formula itself is not reliable. Assuming varying resources among the states, assuming varying efforts and expenditures, and even varying standards of education—it is still unlikely that real need for federal aid in the middle class and poor states would vary from one to 70% of their current education expenditures. That is, it is most questionable that the need to *increase* educational expenditures would vary to this extreme degree.

An indication of the answer to this question can be obtained by varying some of the formula's components according to the criticisms made of it at the outset of this article. The basic and most important adjustment involves the use of school enrollment figures and an average of only three years of income payments. The next step is in regard to the use of 1.1% of the average income payment as a factor in computing "standard expectation" of state expenditure. Earlier it was pointed out why this particular percentage figure was low. The significant result of altering it in the formula bears testimony as to the reason for its use by those who drafted the bill; for, if 1.5% is used, along with the above adjustment factors, it would result in absolutely no aid at all to any state. This, then, is the first suggestion of a negative answer to the question: Do the states need aid as computed by S. 472?

The second suggestion, and even more convincing statistically, is the result of making the population and income payment adjustments in the formula—retaining nevertheless, the 1.1%. The overall results of this adjusted formula are very different from the original S. 472. Only 11 States in all, these among the 15 ranking lowest in per capita income payments, would receive aid. Total aid would be only an aggregate of $41 million; over $100 million *less* than computed with the original formula. The range in actual aid per State would be only from $1 million to about $8 million. The range in percentage relationships of allocated aid and actual expenditures would be only from 4% to 40%. The exact results are below:

States Receiving Aid	Aid Allocated (000)	% of Actual Expend.
West Virginia	$2,928	8.7
New Mexico	940	8.9
Oklahoma	1,276	3.7
Tennessee	2,268	7.4
North Carolina	7,782	16.4
Georgia	3,000	9.8
Kentucky	2,587	8.3
South Carolina	4,570	21.6
Alabama	4,808	16.8
Arkansas	3,532	21.1
Mississippi	7,611	40.5

Comparison of the percentage relationship, under each formula, of allocated aid to actual expenditures adds the blessing of some logic to the effect of the adjusted formula. It narrows considerably the extremes resulting from the original formula. It also shows very decidedly the inflation of need occasioned by the use of child population figures and a five-year average of income payments. Although both factors are important, it is easier to get a picture of the change due to the difference in the former factor. In the 11 States listed above the average difference between population aged 15 to 17 inclusive, and school enrollment figures is over 100,000, which at $40 each means an average overestimate of $4 million as the spending standard for each of these States. The details and the individual difference among these States in this regard is secondary to the point that the need for Federal aid is being measured by an average of more than 100,000 children who are not enrolled in school, and therefore do not comprise a valid inclusion in the formula.

Thus, with the school population data adjusted downward, and

the income payment average adjusted upward, by use of a three-year base, the result is of course a decreased spending standard and an increased standard expectation of State expenditure. The difference between these two, which is the basis of Federal aid, is therefore smaller than in the original formula, and the aid computed for allocation becomes considerably less. In fact, it is so very much less, when these more reliable factors are used, that the question of any real need for it is again suggested.

The aid is certainly so small that the necessity of a complicated and confusing formula of this kind seems hardly necessary. If it be assumed that some Federal aid is necessary for educational purposes in the poorest States, why not a flat rate percentage grant of 25% of actual expenditures for those States? The least that might be done is to amend the original formula by provisions that (1) no State should receive aid unless the amount computed was at least 5% of its education expenditures, and (2) no State should receive more than 35% of such expenditures.

However, more than adjustment of the formula seems to be necessary. Basically the entire proposal needs analysis. The so-called need of the poor States requires intelligent examination and evaluation.

In the meantime, by the above statistical evidence, S. 472 would appear to be no more than a political Pied Piper playing its tune with bank notes.

Mergers—A Cause of High Prices

(Continued from first page)

the United States Steel Corporation's numerous corporate acquisitions and mergers.

Beginning in 1926, the number of mergers substantially surpassed the number for 1920 and increased each year thereafter until 1929 when it reached a record figure. Again it may not be irrelevant to note that it was in November 1926 that the Supreme Court handed down its decision curtailing the power of the Federal Trade Commission to order the divestiture of stock unlawfully acquried whenever the merger was completed by an acquisition of physical assets, even though such assets were acquired as a result of the use of power obtained through unlawful stock acquisitions. In 1943, there began a new wave of mergers, which is still continuing.

The stock market crash of 1929 which heralded the onset of the great depression was preceded by a great wave of corporate mergers and a wild speculation in their securities. Today speculation in the future of merged concerns, supported by war-swollen profits, is again operating as one of the important causes of the present upward trend in merger activity. This speculation, which stems from the expectation of greater profits resulting from the elimination of formerly competing concerns, leads inexorably to the elimination of our competitive economy and thus to the elimination of the possibility of legitimate speculation.

III

The factual diagnosis showing the relation of such presently unrestrainable corporate mergers to concentration is quite complete. Today's choice is one between legislative action recommended for many years by the Federal Trade Commission to plug this loophole in the present laws against such mergers and inviting a continued concentration leading to a frustration of our declared public policy.

In the present Congress are pending bills to amend the Clayton Act as recommended by the Commission so that acquisition by a corporation engaged in interstate commerce of the **assets** of a competing corporation also engaged in interstate commerce be made unlawful where the result tends to monoply. Presently only **stock (not asset)** acquisitions so tending are unlawful under that Act and legal actions against even such unlawful acquisitions easily may be defeated.

IV

In exploring my next point, I feel that it is desirable to make some remarks in passing concerning the Commission's general nature and current work. The Commission was established in 1914 to detect and eliminate illegal trade restraints in their incipiency. Among the restraints of trade price fixing continues to be the most frequently recurring charge. Others falling in this category are conspiracy to boycott or threats to boycott, coercive agreements, collusive bidding, control and limitation of supply, misuse of patents and licensing agreements for monopolistic purposes, and various forms of basing-point, delivered-price and zoning systems designed to eliminate price competition. In essence they are repugnant to our national policy because they are auto-restraints on the commercial freedom of the parties to the detriment of the consuming public.

The basic legislative intent is that competition by individual traders must be fair as well as free. Congress wished to preserve and foster legitimate competition, but at the same time to outlaw all jungle type excesses inherent in the struggle to get business. These laws, therefore, aim to rid our economy of evil effects flowing from individual caprice and excess of competitive zeal as well as unlawful group activities. This approach to the problem was reflected in Section 2 of the Clayton Act which proscribes discriminations in price between customers entitled to the same general treatment if such discrimination injures, prevents or destroys competition with the grantor or the recipient, or the effect may be to lessen competition or create a monopoly. The payment or receipt of brokerage by or to the other party to the transaction is made unlawful, as is the granting of allowances or facilities on terms not proportionally equal. Other practices unlawful under the Clayton Act, which emphasize the individual approach to the end that competition be fair and free of restraints, are reflected in the banning of full line forcing and tying contracts.

The Commission is also directed to eliminate deceptive acts and practices. Deception is harmful to the best interests of both consumers and scrupulous business. In this field of the Commission's work are matters involving false and misleading advertising of commodities through misrepresentation pertaining to composition, quality, purity, origin or attributes. The Wheeler-Lea amendments to the Federal Trade Commission Act empower the Commission to eliminate the dissemination of false advertisements for foods, drugs, cosmetics and therapeutic devices. The Wool Products Labeling Act, popularly known as the "truth in fabrics law," requiring informative labeling of certain fabrics, also is administered by the Commission.

In the Commission there is machinery under which Government and business can cooperatively evaluate and discuss commercial practices. During the past two decades more than 150 industries have participated in trade practice conferences, and this phase of the Commission's work presently is receiving greater emphasis. To the greatest possible extent consistent with the public interest, the aim is to avoid the necessity of a multiplicity of formal legal proceedings. This cooperative method of wholesale prevention and elimination of practices which involve the theme of unfairness without resort to the mandatory remedies against individuals, will implement a broader program of formal proceedings to prevent monopoly and to eliminate group restraints on competitive freedom. Investigations into complaints of unlawful conduct will be made increasingly on an industry-wide basis and the aim will be to eliminate all unfair trade practices and illegal restraints of trade found in any such industry simultaneously whereever possible and under either procedure on an industry-wide basis. It is hoped that the results will inspire further confidence in the Commission's effectiveness in both fields.

V

One of the most pressing problems confronting industry and Government at the present time is the matter of the present high price level. This is a subject which has received the earnest consideration of the President and of the Congress to an increasing degree in recent months. It is an elementary proposition that if price levels remain artificially high, the net result is a restriction of the real purchasing power of the consumer. The ideal situation, of course, is one in which wages and incomes remain at the highest possible level and prices at the lowest level consistent with the ability to pay high wages and earn high income. It is also a maxim of economics that under free competition and under the inexorable pressure of the law of supply and demand an artificially high price structure must in time fall of its own weight through failure of purchasing power to keep up with prices.

In the earlier days of our American economy of free enterprise, prices were highly sensitive to slight fluctuations in purchasing power and very few lines of commerce were dominated by enterprises sufficiently large as to have the ability to control and manage price levels. To illustrate, in an industry having 25 small manufacturers, all approximately of equal size, no one of them was sufficiently powerful to maintain an artificial and uneconomic price level, hence prices necessarily rose and fell with and accurately reflected purchasing power among consumers.

I have mentioned to you some of the problems which confront the American public as a result of the accelerating increase in corporate mergers. I feel very strongly that one result of this increase in corporate mergers and the concentration in fewer and fewer corporate hands of market controls has been to remove prices of many products from the arena of free competition.

The same result, namely the removal of prices from the free play of competition, is obtained when members of an industry agree together to manage the market through restrictive contracts, patent licensing policies, or outright understandings to fix prices. A good many situations of this type can now be reached under the Anti-Trust laws by the Federal Trade Commission and the Department of Justice. The Commission has had numerous cases in the past few years involving this type of combination to control markets.

It has always struck me as a phenomenon of the business world that perfectly respectable men of the highest integrity and character have no hesitation about entering into a gentleman's understanding with their competitors to avoid the free play of competition in one form or another. With few exceptions, these men are representative of the highest type of our citizenry, and they would be the first ones to complain bitterly about any unwarranted Government regulation of their business. And without exception these men are against monopoly and the fixing of prices as an abstract proposition of law or economics.

I appreciate full well that competition is very often a ruthless process which appears to work many individual hardships, particularly when there is a buyer's rather than a seller's market. Yet I know of no force which can be substituted for the free play of just this competition to regulate business in the public interest. Certainly all experiments looking toward permitting business to regulate itself in the sense of establishing private or even semi-public code organizations to control prices, markets, and all phases of business enterprise have failed. Nor has the Government demonstrated great ability to do that type of job. The plain truth about the matter is that men, either in Government or business, have human limitations which make for inevitable serious mistakes in judgment about managed pricing which would not be made if the production and prices in that business or industry had been subject to "regulation" by the forces of free and open competition. American business is so complex and so inextricably interwoven and interlaced that there is, in my opinion, no body of men sufficiently wise or skilled to plan in advance the varied decisions that the economic necessities of free and fair competition produce naturally and with sufficient flexibility to meet any unexpected changes in market conditions.

We saw several phenomena in the great depression which indicated the inflexibility of those segments of basic industry which either by concentration of production in a few hands or by gentleman's agreement among the major producers were able to maintain the high boom price levels in a period of economic distress. These industries suffered at least as much as those in which competition forced distressed prices, and the fact that they elected to curtail production and employment rather than to reduce prices contributed directly to delaying the swing of the economic pendulum by further curtailing not only the aggregate power to consume all products but also by discouraging potential buyers from consuming their goods.

Now we are on the other side of the mountain. There are present indications that prices have outrun purchasing power. Those industries and businesses which are sensitive to the play of free and open competition will have their prices adjusted to the market as an inevitable matter. However, in those industries in which concentration has led to a managed market or where understandings to restrict or prevent competition are employed, prices may or may not adjust themselves depending on the personal judgment of the market managers. To the extent that they elect not to reduce artificially high prices, a human blunder may be made by a few which can cause a great deal of economic suffering to the many.

I do not believe in or encourage the philosophy that it would be proper in these inflexible industries to regulate them and thereby to force price reductions by Government fiat. I do not believe that the human beings in the Government are any better equipped mentally to make such decisions of managerial discretion than are the human beings in business. The only advantage suggested for the Government making such decisions rather than private monopolists is that presumably the motivating force in the decision would be the interest of the public as a whole rather than any private or selfish interest.

If any of you think it strange that I should be resisting the principle of over-all Government regulation of business, I remind you that the basic concept of the Federal Trade Commission Act, as well as of the Anti-Trust laws in general, is that there should be a minimum of regulation of business and a maximum of individual freedom to compete under simple rules designed to keep competition clean and prevent artificial and monopolistic restraints or collusive agreements which suppress and eliminate the natural regulatory forces of competition.

VI

I am personally convinced that the most pressing problem facing the public today is the preservation of free and fair competition as the primary regulatory force in business. Unless business men themselves help to halt the forces tending toward monopoly and the vesting of control in a few hands, they will find themselves inevitably heading away from the free enterprise system which is the keystone of our American way of life. Free and fair competition is the alternative to either domination and regulation by private groups of capital or that of a paternalistic state similar to those which have arisen abroad as a substitute for the forces of the free market.

As I mentioned earlier, most business men will agree with this statement of mine as an abstract proposition. Yet many of them see nothing inconsistent between this proposition and their own gentleman's agreement with their competitor allocating territories in which they each will have exclusive privileges or territories or a tacit understanding that neither will raise or lower prices without consultation. To preserve competition as a primary regulatory force in America requires something more than this sort of lip service. The requirements are not too complex. They appear to be that the laws against unfair and monopolistic practices must be universally observed in letter and in spirit and that the obvious deficiencies which hamper adequate enforcement of those laws must be corrected by legislative action.

Milwaukee Banks To Close Saturday

All of the banks in Milwaukee County, Wisconsin, will discontinue Saturday banking hours during June, July, August and September, it was disclosed recently by a committee representing the banks. Closings will be effective as of the first Saturday in June, it was stated in the Milwaukee "Journal," which also said in part:

"To compensate for the lost hours on Saturdays these banks will inaugurate additional afternoon and evening banking hours on Fridays.

"The decision to close Saturdays, the committee said, was taken to benefit bank employees who under present schedules generally work until midafternoon on Saturdays. Thus, it was said, the banks will observe the trend for a five-day week in most businesses other than retail merchandising.

"Included in the committee were Roy L. Stone, First Wisconsin National Bank; A. E. Francke, Northern Bank; Michael Wells, Marine National Exchange Bank; Gertrude Jacobs, Marshall & Ilsley Bank; Joseph E. Roche, Milwaukee County Bank, and William Frank, City Bank & Trust Co.

"The committee pointed out that it has become increasingly difficult to do business on Saturdays because many banks in other cities already were observing Saturday closings, as do financial and insurance firms and offices in industrial plants."

The State of Trade

(Continued from page 3)

orders on the books for structural shapes and plates were heavy, deliveries far behind and there was every indication that because of the freight car building program these products would be in tight supply for some months to come. Leading steel officials in steel construction departments say that many contractors would place substantial orders for structural products as soon as firm delivery dates could be assured. This indicates that the substantial backlogs on mill books is no true indication of the limit of construction activity to take place in the future.

Some large fabricators state that private construction jobs are going ahead unhindered by postponement or cancellations. Some State and municipal jobs are being postponed mainly because of the higher cost of completion compared with the original estimates. More significant are the actions of practically all large steel companies contemplating building and machinery additions. Recognizing that the price level, just as the wage level, is on a higher economic plane, these companies have decided to go ahead with construction in order to remain in a good competitive position. It seems likely that this procedure is being adopted by other industries.

While it is too early to determine the actual demand which John L. Lewis will make upon the northern coal operators, representing more than 75% of the nation's output, feeling throughout the industry was more optimistic last week than at any time in years. According to the above trade authority, there is a good possibility that the United Mine Workers will reach a satisfactory wage agreement with the northern operators before July 1, thus preventing a serious coal tieup which would have disastrous effects upon steel and other industries.

Major emphasis in the steel industry last week was on production. Some areas are even exceeding wartime output, although the national rate is still about one point below previous postwar peaks. Nevertheless, "The Iron Age" points out, the next few weeks will probably average as high an operating rate as has been seen since wartime days.

The American Iron and Steel Institute announced on Monday of this week the operating rate of steel companies having 93% of the steel capacity of the industry will be 95.4% of capacity for the week beginning May 26, 1947, as compared with 96.1% one week ago, 96.4% one month ago and 43.6% one year ago. This represents a decrease of 0.7 point or 0.7% from the preceding week.

The week's operating rate is equivalent to 1,669,400 tons of steel ingots and castings compared with 1,681,700 tons one week ago, 1,686,900 tons one month ago and 768,400 tons one year ago.

Electric Production Off — The Edison Electric Institute reports that the output of electricity decreased to 4,615,983,000 kwh. in the week ended May 17, 1947, from 4,653,137,000 kwh. in the preceding week. Output for the week ended May 17, 1947, was 17.2% above that for the corresponding weekly period one year ago.

Consolidated Edison Co. of New York reports system output of 193,800,000 kwh. in the week ended May 18, 1947, compared with 180,600,000 kwh. for the corresponding week of 1946, or an increase of 7.3%. Local distribution of electricity amounted to 182,000,000 kwh. compared with 171,200,000 kwh. for the corresponding week of last year, an increase of 6.4%.

Railroad Freight Loadings Rise—Car loadings of revenue freight for the week ended May 17, 1947, totaled 888,208 cars, the Association of American Railroads announced. This was an increase of 3,966 cars, or 0.4% above the preceding week, and 199,998 cars, or 29.1% above the corresponding week for 1946, when loadings were affected by labor diffculties. Compared with the similar period of 1945, an increase of 19,294 cars, or 2.2%, is shown.

Paper Output Off and Paperboard Production Higher—Paper production in the United States for the week ended May 17, was 105.3% of mill capacity, against 107.9% (revised figure) in the preceding week and 98.3% in the like 1946 week, according to the American Paper & Pulp Association. This does not include mills producing newsprint exclusively. Paperboard output for the same week, was 102% compared with 101% in the preceding week and 92% for the corresponding week a year ago.

Business Failures Continue Upward—Commercial and industrial failures in the week ending May 22 rose to 102, reports Dun & Bradstreet, Inc. Up from 88 in the previous week, concerns failing were five times as numerous as in the corresponding week of 1946. Failures in the week just ended reached the highest level recorded for any week since March, 1943. There were, however, only one-third as many concerns failing in the week just ended as in the comparable week of prewar 1939, when over 300 businesses failed.

Most of this week's failures involved liabilities of $5,000 or more. These large failures increased from 73 a week ago to 89, more than five times the 17 reported in the same week last year. Small failures declined slightly; numbering only 13, failures with losses under $5,000 fell off from the previous week's level but exceeded the 4 occurring a year ago.

Manufacturing and retailing claimed three-fourths of the week's total failures. The number of manufacturers failing rose to 41, the number of retailers failing rose to 37. No other line of industry or trade had more than 9 failures this week. Compared with the 1946 level all groups increased this year. The rise was sharpest in retail trade, where failures outnumbered those in the same week a year ago by 6 to 1.

The Pacific States had 38 failures, the largest number registered for any region, and the Middle Atlantic States ranked second with 29. Together, these two areas accounted for about two-thirds of the failures occurring during the week. The East North Central States with 17 failures was the only other region in which concerns failing numbered more than six. The sharpest increase both from last week and a year ago appeared in the Pacific States, where 38 enterprises failed against 21 in the preceding week and only 7 in the comparable week of 1946. At least 1 failure was reported in each region this week, whereas a year ago four geographic divisions did not have any failures.

Eleven Canadian failures were reported as compared with 10 last week and 2 in the corresponding week a year ago.

Food Price Index Touches New Low Since October—After showing signs of steadiness in the previous week, the Dun & Bradstreet wholesale food price index dropped 5 cents in the latest week to $5.95 as of May 20, the lowest point touched since Oct. 8, 1946, when it registered $5.40. The current figure represents a decline of 12.1% from the high of $6.77 reached on March 4, but it shows a rise of 41.7% over the $4.20 recorded on the like date a year ago.

Advances in the week included wheat, corn, rye, oats, barley, hams, bellies and cheese. Declines were listed for flour, beef, lard, butter, coffee, cottonseed oil, eggs, potatoes, hogs and lambs. Index represents the sum total of the price per pound of 31 foods in general use.

Daily Wholesale Commodity Price Index Slightly Higher—Following an early uptrend, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., turned downward but finished slightly higher for the week. The index stood at 254.37 on May 20, as against 252.86 on May 13. On the corresponding date last year it registered 194.11.

Grain markets were generally stronger last week. Wheat touched new seasonal highs last Thursday as the result of additional Government purchases for shipment to Europe, but the market reacted sharply as demand subsided. Corn was active and prices advanced sharply, stimulated by tightness in the cash market and talk of relaxation of export controls to permit sales for livestock feeding abroad. Domestic demand for flour for both nearby and future delivery continued very quiet. Export flour sales were also slow, although Italy was reported to be in the market for its 12,000-ton allocation for July. The actual cocoa market was inactive with prices nominally unchanged, while futures continued to decline with losses ranging from 1 to 1½c. per pound for the week. The green coffee market developed a more stable tone as leading distributors of roasted coffee lowered their selling prices about 3c. per pound over the week-end, thus bringing the two branches of the trade closed to a normal balance. Lard prices dropped to new season lows under pressure of steadily accumulating stocks, coupled with a falling off in both export and domestic demand.

In rather slow trading, cotton prices moved irregularly over a wide range during the past week. The market developed strength toward the end of the period but failed to recover all of the previous losses. Early weakness was attributed to slower mill demand, freer offerings of spot cotton, and reports of improved weather conditions in the cotton belt. Strength in late dealings resulted from buying influenced by estimates of substantial consumption of the staple during April and reports of further Government buying for foreign relief purposes despite the reduction in the subsidy. Confirming preliminary estimates, the Census Bureau report on consumption, released on Monday, indicated a total of 882,880 bales of cotton used during April, or slightly more than the March figure of 875,125. A somewhat firmer trend was visible in staple carded gray cloth markets last week. Inquiries were more numerous; and featured print cloths, sheeting and osnaburgs for spot and nearby deliveries.

Although some inquiries were noted on fine and half-blood domestic wools in the Boston market last week, sales were few and mostly of small amounts. The absence of mill buying was attributed to uncertainties as to wool legislation and the outlook as to prices for cloth and yarn. In foreign wool auctions, prices were firm to stronger on choice, fine staple wools. Offerings of desirable types were scarcer; defective wools were slow with prices easier.

Retail and Wholesale Trade at High Level—Variations in the weather were largely responsible for the spottiness in retail buying in the week. Total volume remained close to the high level of the previous week and was moderately above that of the corresponding week a year ago, states Dun & Bradstreet, Inc., in its review of trade for the week. Mild temperatures stimulated retail trade in some localities while in other areas continued rain discouraged shoppers. Retailers reported little change in over-all price levels.

Interest in women's summer apparel continued to increase last week with cotton dresses, blouses and sportswear among the best sellers. Requests for women's hosiery and footwear were more numerous than in recent weeks. Bridal gowns and formal graduation dresses were eagerly sought. The demand for men's lightweight suits and slacks remained heavy, while the supply of men's shirts and other furnishings continued to improve. Men's athletic shirts and hose were frequently requested.

Reports from most sections of the country indicated that retail food volume was maintained at the high levels of previous weeks. Fresh fruits and vegetables were in ample supply, while meat, fish and poultry were plentiful. Interest in canned goods increased slightly but consumer insistence on well-known brands continued. Consumer demand for milk, butter and cheese held at a high level.

Interest in furniture, especially case goods, was maintained at a very high level the past week. Requests for housefurnishings and kitchen appliances were numerous, while demand for lawnmowers, garden tools and paint increased noticeably. Requests for used cars increased slightly and continued improvement in shipments of new cars was noted in most areas. Consumers remained selective in regard to both price and quality for all types of durable goods.

Retail volume for the country in the week ended last Wednesday was estimated to be from 7 to 11% above that of the corresponding week a year ago. Regional estimates exceeded those of a year ago by the following percentages: New England 6 to 10, East and South 9 to 13, Middle West and Pacific Coast 7 to 11, Northwest and Southwest 8 to 12.

A noticeable increase in the number of buyers registered in wholesale centers together with an improvement in the supply of many types of goods resulted in a moderate rise in wholesale volume in the week. Dollar volume continued to compare favorably with that of the corresponding week a year ago. Buyers remained cautious but were willing to accept offerings of good quality merchandise at reasonable prices.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended May 17, 1947, increased 11% above the same period of last year. This compared with an increase of 13% in the preceding week. For the four weeks ended May 17, 1947, sales increased by 13% and for the year to date by 11%.

Retail trade in New York last week continued active with department store volume estimated at about 15% above the similar week of 1946. However, the rail strike and transportation and coal difficulties played an important role in lowering the volume in the latter period.

In wholesale markets the past week openings of fall garment lines proved a feature. It is reported that manufacturers were encouraged by buyer response and buyers agreed that the merchandise displayed represented sound values.

The first hike in prices of items by old line manufacturers came in durable goods lines last week. Since the termination of OPA, these manufacturers have raised their prices less than 20%.

A downward trend continued to prevail in wholesale food prices the past week with several large firms reporting price reductions across the board to scale down high inventories and present a challenge to the public's current opposition to high prices.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to May 17, 1947, increased 9% above the same period last year. This compared with an increase of 8% in the preceding week. For the four weeks ended May 17, 1947, sales rose 8% and for the year to date increased 10%.

Ill.-Wisc. Savs. & Loan Assns. Had Busy April

In April the advances by the Federal Home Loan Bank of Chicago to Illinois and Wisconsin savings, building and loan associations surpassed those of any month so far in 1947. A. R. Gardner, President, said on May 19 in his report to the Federal Home Loan Bank Administration at Washington, that the $2,020,998 disbursed last month represented the third busiest April in the central bank's history. It was surpassed only by the like month of 1946 when the first spurt forward of postwar private building was felt, and by April, 1943, when the wartime needs of savings and loan institutions for liquidity caused heavier-than-usual borrowings at the Home Loan Banks.

Despite discouraging conclusions which have been drawn from preliminary statistics about this year's building activity, Mr. Gardner believes that this upturn in home loan bank advances to the local institutions which handle the bulk of the home financing is an encouraging sign partially to counteract the gloom. He indicated that loan volume was seven times what it had been in March this year, a spectacular increase between these two months against the background of previous years.

Saturday Bank Closing In Seattle in Summer

All commercial banks, savings banks and savings and loan associations in Seattle, Wash., will go on a five-day week for the summer months, with Saturday closing, beginning June 21 and extending through September 1, according to the Seattle "Times," which said that Charles F. Frankland, President of the Clearing House Association of Seattle, announced the decision at the request of a joint committee from the affected institutions. The paper from which we quote also said:

"Because of the nature of their business, some banks expected to extend their banking hours one day of the week during the Saturday closing period, and normal banking operations are to be resumed Saturday, Sept. 6.

"It has been indicated that similar action will be taken throughout the State, including Spokane, Tacoma, Everett and Yakima. The Saturday recess was made possible by adoption at the recent session of the Legislature of a permissive closing law similar to those in effect in a number of other States."

Greene V.-P. of Statistical Bureau

Will Greene, textile market analyst and research executive for the International Statistical Bureau, has been made a Vice-President of that organization, it is announced by A. W. Zelomek, President. Mr. Greene joined the Bureau in 1944 after two years as research and operations administrator in the War Production Board. One of his wartime jobs was the coordination of the Government's first rayon tire cord program. Prior to his services at Washington he was for many years a market writer and editor for the Fairchild Publications.

Moody's Bond Prices and Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following table:

MOODY'S BOND PRICES
(Based on Average Yields)

1947 Daily Averages	U. S. Govt. Bonds	Avge. Corpo- rate*	Corporate by Earnings* Aaa	Aa	A	Baa	Corporate by Groups* R. R.	P. U.	Indus.
May 27	121.64	117.00	122.50	120.22	116.22	109.60	111.62	118.60	120.84
26	121.64	117.00	122.50	120.22	116.22	109.60	111.62	118.80	120.84
24	a	117.00	122.50	120.22	116.41	109.60	111.62	118.80	120.84
23	121.64	117.00	122.50	120.22	116.22	109.60	111.62	118.60	120.84
22	121.67	117.00	122.50	120.43	116.41	109.60	111.81	118.60	121.04
21	121.64	117.00	122.50	120.22	116.41	109.60	111.81	118.60	120.84
20	121.64	117.20	122.50	120.43	116.41	109.79	111.81	118.60	121.04
19	121.64	117.00	122.29	120.43	116.41	109.79	111.81	118.60	120.84
17	a	117.20	122.50	120.43	116.41	109.97	112.00	118.60	121.04
16	121.64	117.20	122.50	120.43	116.41	109.97	112.00	118.80	121.04
15	121.64	117.20	122.50	120.43	116.61	110.15	112.19	118.80	121.04
14	121.64	117.20	122.50	120.43	116.61	110.15	112.19	118.80	121.04
13	121.64	117.40	122.50	120.43	116.80	110.15	112.37	118.80	121.04
12	121.67	117.40	122.50	120.43	116.80	110.34	112.37	118.80	121.04
10	a	117.40	122.50	120.43	116.80	110.34	112.37	118.80	121.04
9	121.64	117.40	122.50	120.43	116.80	110.34	112.37	118.80	121.25
8	121.61	117.40	122.50	120.43	116.80	110.34	112.56	118.80	121.04
7	121.61	117.40	122.50	120.43	116.80	110.34	112.56	118.80	121.04
6	121.61	117.40	122.50	120.43	117.00	110.52	112.56	118.80	121.25
5	121.61	117.40	122.50	120.43	117.00	110.34	112.56	118.80	121.04
3	a	117.40	122.50	120.43	117.00	110.34	112.56	118.80	121.04
2	121.64	117.40	122.50	120.43	117.00	110.34	112.56	118.80	121.04
1	121.61	117.40	122.50	120.43	117.00	110.34	112.56	118.80	121.04
Apr. 25	121.74	117.40	122.50	120.63	117.00	110.34	112.56	118.80	121.25
18	121.80	117.40	122.50	120.43	116.80	110.15	112.37	118.80	121.04
11	122.02	117.40	122.50	120.43	116.80	110.34	112.37	118.80	121.25
3	122.17	117.40	122.50	120.43	116.80	110.15	112.56	118.60	121.04
Mar. 28	122.27	117.40	122.50	120.43	117.20	110.34	112.75	118.60	121.04
21	122.24	117.20	122.29	120.22	117.00	110.15	112.56	118.40	121.04
14	122.27	117.20	122.09	120.02	117.00	110.34	112.75	118.20	120.84
7	122.17	117.20	122.09	120.02	117.00	110.52	112.75	118.40	120.84
Feb. 28	122.20	117.20	122.09	120.02	117.00	110.52	112.75	118.40	120.84
21	122.14	117.40	122.09	120.22	111.20	110.70	112.93	118.40	121.04
14	122.20	117.40	122.09	120.02	117.20	110.88	113.12	118.40	120.84
7	122.20	117.60	122.09	120.22	117.20	111.07	113.31	118.60	120.84
Jan. 31	122.08	117.40	121.88	120.22	117.40	110.88	113.31	118.80	120.63
24	122.39	117.60	121.88	120.43	117.40	110.88	113.31	118.80	120.63
17	122.24	117.40	121.88	120.22	117.40	110.70	113.12	118.60	120.84
10	122.17	117.20	121.67	119.82	117.20	110.52	113.12	118.40	120.43
3	122.14	116.80	121.25	119.61	116.80	110.15	112.75	118.00	120.02
High 1947	122.39	117.60	122.50	120.63	117.40	111.07	113.31	118.80	121.25
Low 1947	121.61	116.80	121.04	119.61	116.22	109.60	111.62	117.80	120.02
1 Year Ago May 27, 1946	123.99	118.80	122.92	121.46	118.40	112.56	116.22	119.00	121.04
2 Years Ago May 26, 1945	122.29	115.43	120.63	118.80	115.43	107.44	112.19	114.85	119.20

MOODY'S BOND YIELD AVERAGES
(Based on Individual Closing Prices)

1947 Daily Averages	U. S. Govt. Bonds	Avge. Corpo- rate*	Corporate by Earnings* Aaa	Aa	A	Baa	Corporate by Groups* R. R.	P. U.	Indus.
May 27	1.57	2.80	2.53	2.64	2.84	3.19	3.08	2.72	2.61
26	1.57	2.80	2.53	2.64	2.84	3.19	3.08	2.71	2.61
24	a	2.80	2.53	2.64	2.83	3.19	3.08	2.71	2.61
23	1.57	2.60	2.53	2.64	2.84	3.19	3.08	2.72	2.61
22	1.57	2.80	2.53	2.63	2.83	3.19	3.07	2.72	2.60
21	1.57	2.80	2.53	2.64	2.83	3.19	3.07	2.72	2.61
20	1.57	2.79	2.53	2.63	2.83	3.18	3.07	2.72	2.62
19	1.57	2.80	2.54	2.63	2.83	3.18	3.07	2.72	2.61
17	a	2.79	2.53	2.63	2.83	3.17	3.06	2.72	2.60
16	1.57	2.79	2.53	2.63	2.83	3.17	3.06	2.71	2.60
15	1.57	2.79	2.53	2.63	2.82	3.16	3.05	2.71	2.60
14	1.57	2.79	2.53	2.63	2.82	3.16	3.05	2.71	2.60
13	1.57	2.78	2.53	2.63	2.81	3.16	3.04	2.71	2.60
12	1.57	2.78	2.53	2.63	2.81	3.15	3.04	2.71	2.60
10	a	2.78	2.53	2.63	2.81	3.15	3.04	2.71	2.60
9	1.57	2.78	2.53	2.63	2.81	3.15	3.04	2.71	2.59
8	1.57	2.78	2.53	2.63	2.81	3.15	3.03	2.71	2.60
7	1.57	2.78	2.53	2.63	2.81	3.15	3.03	2.71	2.60
6	1.57	2.78	2.53	2.63	2.80	3.14	3.03	2.71	2.59
5	1.57	2.78	2.53	2.63	2.80	3.15	3.03	2.71	2.60
3	a	2.78	2.53	2.63	2.80	3.15	3.03	2.71	2.60
2	1.57	2.78	2.53	2.63	2.80	3.15	3.03	2.71	2.60
1	1.57	2.78	2.53	2.63	2.80	3.15	3.03	2.71	2.60
Apr. 25	1.56	2.78	2.53	2.62	2.80	3.15	3.03	2.71	2.59
18	1.56	2.78	2.53	2.63	2.81	3.16	3.04	2.71	2.60
11	1.54	2.78	2.53	2.63	2.81	3.15	3.04	2.71	2.59
3	1.53	2.78	2.53	2.63	2.81	3.16	3.03	2.72	2.60
Mar. 28	1.53	2.78	2.53	2.63	2.79	3.15	3.02	2.72	2.60
25	1.53	2.78	2.54	2.64	2.80	3.15	3.02	2.73	2.60
21	1.53	2.79	2.54	2.64	2.80	3.16	3.03	2.73	2.60
14	1.56	2.79	2.55	2.65	2.80	3.15	3.02	2.74	2.61
7	1.57	2.79	2.55	2.65	2.80	3.14	3.02	2.73	2.61
Feb. 28	1.56	2.79	2.55	2.65	2.80	3.14	3.02	2.73	2.61
21	1.57	2.78	2.55	2.64	2.79	3.13	3.01	2.73	2.60
14	1.56	2.78	2.55	2.65	2.79	3.12	3.00	2.73	2.61
7	1.56	2.77	2.55	2.64	2.79	3.11	2.99	2.72	2.61
Jan. 31	1.57	2.78	2.56	2.64	2.78	3.12	2.99	2.71	2.62
24	1.55	2.77	2.56	2.63	2.78	3.12	2.99	2.71	2.62
17	1.56	2.78	2.56	2.64	2.78	3.13	3.00	2.72	2.61
10	1.57	2.79	2.57	2.66	2.79	3.14	3.00	2.73	2.63
3	1.57	2.81	2.59	2.67	2.81	3.16	3.02	2.75	2.65
High 1947	1.57	2.81	2.60	2.67	2.84	3.19	3.08	2.76	2.65
Low 1947	1.53	2.77	2.53	2.62	2.78	3.11	2.99	2.71	2.59
1 Year Ago May 27, 1946	1.48	2.71	2.51	2.58	2.73	3.03	2.84	2.70	2.60
2 Years Ago May 26, 1945	1.64	2.88	2.62	2.71	2.88	3.31	3.05	2.91	2.69

a Market closed.

*These prices are computed from average yields on the basis of one "typical" bond (3¾% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages, the latter being the true picture of the bond market.

NOTE—The list used in compiling the averages was given in the Sept. 5, 1946 issue of the "Chronicle" on page 1321.

National Fertilizer Association Wholesale Commodity Price Index Declines

The weekly wholesale commodity price index compiled by The National Fertilizer Association and made public on May 26 declined to 195.4 for the week ended May 24, 1947 from 196.6 in the preceding week. The index is now down to the level reached for the week ended Feb. 22, 1947 and is lower than for any week since then. A month ago the index stood at 196.7 and a year ago at 147.5, all based on the 1935-1939 average as 100. The Association's report added:

During the week five of the composite groups in the index declined while one advanced; the other five remained at the level of the preceding week. Prices for cheese, bread, corn meal, cocoa, and some meats advanced, but the lower prices for butter, flour, coffee, lamb, pork, fowl, and fats and oils caused the foods index to decline. The higher prices for grains were more than offset by lower prices for livestock, with the result that the farm products index declined. Lower quotations for broadcloth and burlap were responsible for the fall in the textiles index. The decline in the building materials index was caused by lower prices for southern pine, oak flooring, and linseed oil. The index for the farm machinery group fell slightly. Prices were reduced for leather, rubber, cottonseed meal, and linseed meal, but higher prices for hides, bran, and middlings caused the miscellaneous commodities index to advance.

During the week 36 price series in the index declined and 20 advanced; in the preceding week 24 declined and 22 advanced; in the second preceding week 24 declined and 26 advanced.

WEEKLY WHOLESALE COMMODITY PRICE INDEX
Compiled by The National Fertilizer Association
1935-1939=100*

% Each Group Bears to the Total Index	Group	Latest Week May 14, 1947	Preceding Week May 17, 1947	Month Ago Apr. 26, 1947	Year Ago May 25, 1946
25.3	Foods	212.2	213.8	218.5	145.8
	Fats and Oils	205.9	225.0	286.8	147.4
	Cottonseed Oil	279.2	307.7	433.1	163.1
23.0	Farm Products	243.8	245.4	242.5	178.4
	Cotton	342.1	342.1	336.1	261.2
	Grains	256.6	253.4	249.9	192.7
	Livestock	227.0	230.4	228.1	161.8
17.3	Fuels	170.4	170.4	169.8	131.4
10.8	Miscellaneous Commodities	161.8	160.5	157.8	138.6
8.2	Textiles	215.3	215.8	217.3	166.6
7.1	Metals	149.3	149.3	148.1	117.9
6.1	Building Materials	189.7	198.3	203.2	167.8
1.3	Chemicals and Drugs	157.4	157.4	156.9	127.5
.3	Fertilizer Materials	127.5	127.5	127.5	116.6
.3	Fertilizers	134.5	134.5	134.5	119.8
.3	Farm Machinery	125.3	125.5	125.5	105.8
100.0	All groups combined	195.4	196.6	196.7	147.5

*Indexes on 1926-28 base were: May 24, 1947, 152.2; May 17, 1947, 153.2; and May 25, 1946, 114.9.

Electric Output for Week Ended May 24, 1947 18.3% Ahead of That for Same Week Last Year

The Edison Electric Institute, in its current weekly report, estimates that the amount of electrical energy distributed by the electric light and power industry for the week ended May 24, 1947 was 4,662,858,000 kwh., an increase of 18.3% over the corresponding week of last year when electric output amounted to 3,941,865,000 kwh. The current figure also compares with 4,615,983,000 kwh. produced in the week ended May 17, 1947, which was 17.2% in excess of the 3,939,281,000 kwh. produced in the week ended May 18, 1946. The largest increases were reported by the Southern States and Pacific Coast groups which showed gains of 23.7% and 23.2%, respectively, over the same week last year.

PERCENTAGE INCREASE OVER SAME WEEK LAST YEAR

Major Geographical Division—	Week Ended— May 24	May 17	May 10	May 3	Apr. 26
New England	8.6	5.9	8.5	10.2	9.5
Middle Atlantic	12.3	9.2	10.7	8.3	10.8
Central Industrial	18.6	18.9	24.2	17.3	19.1
West Central	14.2	14.9	13.6	17.5	19.4
Southern States	23.7	23.6	23.7	18.3	19.0
Rocky Mountain	15.2	19.2	20.1	18.0	25.2
Pacific Coast	23.2	19.1	18.3	18.7	20.2
Total United States	18.3	17.2	19.0	15.7	17.4

DATA FOR RECENT WEEKS (Thousands of Kilowatt-Hours)

Week Ended—	1947	1946	% Change Over 1946	1945	1932	1929
Feb. 1	4,777,207	3,982,775	+19.9	4,538,552	1,578,817	1,726,161
Feb. 8	4,801,179	3,983,493	+20.5	4,505,269	1,545,459	1,718,304
Feb. 15	4,778,179	3,948,620	+21.0	4,472,298	1,512,158	1,699,250
Feb. 22	4,777,740	3,922,796	+21.8	4,473,962	1,519,679	1,706,719
Mar. 1	4,797,099	4,000,119	+19.9	4,472,110	1,538,452	1,702,570
Mar. 8	4,786,552	3,952,539	+21.1	4,446,136	1,537,747	1,687,229
Mar. 15	4,763,843	3,987,877	+19.5	4,397,529	1,514,553	1,683,262
Mar. 22	4,759,066	4,017,310	+18.5	4,401,716	1,480,208	1,679,589
Mar. 29	4,728,885	3,992,283	+18.5	4,329,478	1,465,076	1,633,291
Apr. 5	4,693,055	3,987,673	+17.7	4,321,794	1,480,738	1,696,543
Apr. 12	4,619,700	4,014,652	+15.1	4,332,400	1,469,810	1,709,331
Apr. 19	4,660,320	3,987,145	+16.9	4,411,325	1,454,505	1,699,822
Apr. 26	4,667,997	3,976,750	+17.4	4,415,889	1,429,032	1,588,434
May 3	4,640,371	4,011,670	+15.7	4,397,330	1,436,928	1,698,942
May 10	4,653,137	3,910,760	+19.0	4,302,381	1,435,731	1,704,426
May 17	4,615,983	3,939,281	+17.2	4,377,221	1,425,151	1,705,460
May 24	4,662,858	3,941,865	+18.3	4,329,605	1,381,452	1,615,085
May 31		3,741,256		4,203,502	1,435,471	1,689,925

Steel Wages Pass Quarter Billion Mark

More than a quarter billion dollars were paid to employees of the iron and steel industry proper during the first two months of 1947, according to estimated figures for the entire industry based upon actual returns from 120 companies, the American Iron and Steel Institute announced on April 12. Combined wages and salaries for the first two months of this year are estimated at $295,260,000 as compared to $169,890,500 paid during the similar interval of 1946. These figures exclude wages and salaries to workers of company subsidiaries engaged in other than iron and steel making. The Association's announcement adds:

The total number of employees in the industry's iron and steel plants during February increased to 606,700 workers, of whom 517,500 were wage earners. In January, 1947, total employment was 601,200 workers, of whom 512,600 were wage earners.

These workers received $139,482,000 in wages and salaries during February, as compared with $155,778,000 in the 31-day month of January. Of these payments, wages represented $110,294,000 and $126,083,000, respectively.

During February, average hourly earnings of the industry's hourly, piecework and tonnage workers declined slightly to $1.370 from the January record of $1.381. One reason for the dip was the smaller average number of hours per week worked by these employees in February as against January. Average hours worked by the industry's wage earners during February totaled 39.0, as compared with 40.3 in January. In January and February, 1946, these workers averaged only 24.0 hours per week, as a result of the effects of the strike in the steel industry at that time.

Senate Confirms Clapp For TVA Post

The U. S. Senate confirmed on April 24, by a vote of 36 to 31 the nomination of Gordon R. Clapp to be a member of the Board of Directors of the Tennessee Valley Authority. A motion by Senator Hill to reconsider the vote was tabled by the Senate by a vote of 35 to 30. As noted in our issue of April 24, page 2255, Mr. Clapp was nominated early in January by President Truman to succeed David E. Lilienthal as director of the TVA, whose nomination as Chairman of the Atomic Energy Commission was also sent to the Senate by the President in January, that nomination having finally been confirmed on April 9. Reporting that Mr. Clapp's nomination was confirmed despite a fight against confirmation by Senator McKellar (Democrat) of Tennessee, Associated Press advices from Washington, April 24, said in part:

It was the second defeat within recent weeks for McKellar, 78-year-old Senate dean. Over his vehement objections the Senate had confirmed David E. Lilienthal, Mr. Clapp's predecessor as TVA head, to be Chairman of the Atomic Energy Commission. Referring to the Lilienthal vote and the forthcoming Clapp vote, McKellar said:

"I have never been more hurt." He said his views were being ignored even though TVA has headquarters in Tennessee.

Mr. Clapp, now serving as Chairman of the three-man TVA Board under interim appointment, was supported by two Republicans, Senators Revercomb (W. Va.) and Cooper (Ky.) Mr. Cooper, member of the Senate Committee which voted against recommending confirmation, told Senators he found "no substantial evidence" in the hearings that reflected upon Mr. Clapp's character or loyalty.

"It cannot be said that Mr. Clapp himself was a Communist," said Mr. Cooper, "and it cannot be said that he knew of this Communist activity (within TVA). . . . I certainly do not believe his ability can be questioned."

Mr. Clapp, a Wisconsin native, was nominated by President Truman early in January to be the third Chairman of TVA. He would complete the nine-year term on its board for which Lilienthal was confirmed in May, 1945.

Parcels For Overseas Forces

Postmaster Albert Goldman announced on April 25 that, beginning May 1, parcels may be accepted from the public without submitting a request from the addressee, for mailing to persons who are authorized to receive mail through overseas APOs and which contain articles for the personal use of the addressees. Also, effective the same date, the limitation on the mailing of one parcel a week to Army or civilian personnel at an APO address will be eliminated.

Moody's Daily Commodity Index

Tuesday, May 20	398.6
Wednesday, May 21	400.9
Thursday, May 22	397.9
Friday, May 23	396.7
Saturday, May 24	397.2
Monday May 26	398.4
Tuesday, May 27	394.3
Two weeks ago May 13	399.2
Month ago, April 26	403.1
Year ago	279.9
1946 High Dec. 24	380.6
Low Jan. 2	264.7
1947 High Mar. 26	431.8
Low Jan. 20	371.5

Weekly Coal and Coke Production Statistics

The total production of soft coal in the week ended May 17, 1947, as estimated by the United States Bureau of Mines, was 12,970,000 net tons, a decrease of 185,000, or 1.4%, from the preceding week. Output in the corresponding week of 1946 amounted to 8,955,000 tons. In the current calendar year to May 17, soft coal production totaled 238,832,000 net tons, an increase of 36.7% over the 174,744,000 tons produced in the corresponding period of last year.

Output of Pennsylvania anthracite for the week ended May 17, 1947, as estimated by the Bureau of Mines, was 1,074,000 tons, an increase of 17,000 tons, or 1.6%, over the preceding week. When compared with the production in the corresponding week of 1946 there was a decrease of 263,000 tons, or 19.7%. The calendar year to date shows a decrease of 11.6% when compared with the corresponding period of 1946.

The Bureau also reported that the estimated production of beehive coke in the United States for the week ended May 17, 1947, showed an increase of 2,800 tons when compared with the output for the week ended May 10, 1947; and was 123,700 tons more than for the corresponding week of 1946.

ESTIMATED UNITED STATES PRODUCTION OF BITUMINOUS COAL AND LIGNITE
(In Net Tons))

	Week Ended			Jan. 1 to date	
Bituminous coal & lignite—	May 17, 1947	*May 10, 1947	May 18, 1946	†May 17, 1947	May 18, 1946
Total, including mine fuel	12,970,000	13,155,000	8,955,000	238,832,000	174,744,000
Daily average	2,162,000	2,193,000	1,493,000	2,057,000	1,492,000

*Revised. †Subject to current adjustment.

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE
(In Net Tons)

	Week Ended			Calendar Year to Date		
Penn. Anthracite—	‡May 17, 1947	§May 10, 1947	May 18, 1946	May 17, 1947	May 18, 1946	May 22, 1937
*Total, incl. coll. fuel	1,074,000	1.057,000	1,337,000	21,271,000	24,064,000	22,665,000
†Commercial produc.	1,033,000	1,016,000	1,286,000	20,452,000	23,138,000	21,532,000
Beehive Coke—						
¶United States total	140,000	137,200	16,300	2,348,000	1,238,500	1,475,200

*Includes washery and dredge coal and coal shipped by truck from authorized operations. †Excludes colliery fuel. ‡Subject to revision. §Revised. ¶Estimated from weekly carloadings reported by 10 railroads.

ESTIMATED WEEKLY PRODUCTION OF BITUMINOUS COAL AND LIGNITE, BY STATES, IN NET TONS

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

	Week Ended		
State—	May 10, 1947	May 3, 1947	May 11, 1946
Alabama	420,000	406,000	27,000
Alaska	6,000	6,000	6,000
Arkansas	20,000	14,000	10,000
Colorado	84,000	95,000	3,000
Georgia and North Carolina	1,000	1,000	*
Illinois	1,400,000	1,244,000	47,000
Indiana	582,000	470,000	28,000
Iowa	39,000	36,000	9,000
Kansas and Missouri	110,000	107,000	40,000
Kentucky—Eastern	1,321,000	1,140,000	20,000
Kentucky—Western	47,000	390,000	21,000
Maryland	43,000	44,000	1,000
Michigan	*	1,000	1,000
Montana (bituminous and lignite)	64,000	60,000	52,000
New Mexico	29,000	28,000	1,000
North and South Dakota (lignite)	33,000	36,000	34,000
Ohio	846,000	899,000	28,000
Oklahoma	49,000	45,000	23,000
Pennsylvania (bituminous)	3,136,000	3,033,000	56,000
Tennessee	147,000	143,000	6,000
Texas (bituminous and lignite)	1,000	1,000	1,000
Utah	136,000	151,000	4,000
Virginia	416,000	420,000	7,000
Washington	15,000	19,000	5,000
†West Virginia—Southern	2,597,000	2,550,000	12,000
‡West Virginia—Northern	1,123,000	1,107,000	14,000
Wyoming	130,000	123,000	7,000
§Other Western States	*	1,000	*
Total bituminous and lignite	13,155,000	12,570,000	463,000

†Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason and Clay Counties. ‡Rest of State, including the Panhandle District and Grant, Mineral and Tucker Counties §Includes Arizona and Oregon. *Less than 1,000 tons.

Wholesale Prices Rose 0.2% in Week Ended May 17, Labor Department Reports*

Primary market prices rose 0.2% on the average during the week ended May 17, 1947, according to the Bureau of Labor Statistics, U. S. Department of Labor. The Bureau under date of May 22 reported that this is the first increase in its general index of commodity prices in primary markets since the week ended March 29. At 147.0% of the 1926 average, the index in the week ended May 17 was 0.1% below the level of a month earlier and 32.6% above the corresponding week of last year, said the Bureau, which further reported for the week indicated:

"**Farm Products and Foods**—Average market prices of farm products rose 0.3% during the week. Grain quotations increased more than 2%, reflecting increased purchases for foreign relief by the Department of Agriculture in accordance with the President's directive. Reduced shipments caused substantial advances for some livestock, especially calves and cows, but there were small declines for heavy hogs and lambs. Light supplies caused price increases for apples and citrus fruits, and sweet potatoes also increased with improved quality. There were substantial declines for white potatoes and onions as shipments increased. Egg prices rose slightly. Quotations for raw cotton declined. On the average, prices of farm products were 0.9% above mid-April 1947, and 28.3% above a year ago.

"The group index for foods was unchanged during the week as declines for dairy products and fats and oils balanced increases for cereal products, meats, and fruits and vegetables. Prices of butter and evaporated milk declined with increased production, and there were also declines for lard, oleomargarine, edible tallow and vegetable oils. Recent increases in costs of flour and labor caused substantial increases in bread prices, although wheat flour prices declined this week. Prices of corn products increased. Among meats, veal and pork prices increased, while fresh beef declined slightly. As a group, prices of foods were 5.6% below the peak level of early March and 44.5% above a year earlier.

"**Other Commodities**—Average prices of all commodities other than farm products and foods rose 0.3%, although there were declines for some commodities. Average prices of copper rose nearly 6%, as suspension of the 4-cent import duty permitted imports of higher-priced foreign copper. Domestic copper remained at the lower level. Prices of motor vehicles and farm machinery were slightly higher, while mercury and silver prices decreased. Further declines for copra and inedible tallow reduced the group index for fats and oils to a level 27% below the peak in mid-March. Prices of menthol and shellac were up, a reflecting light supplies. Lack of demand at previous high prices caused sharp reductions in the prices of navel stores; there were smaller declines for Chinawood and linseed oil. Lower costs reduced prices of synthetic camphor, and nux vomica was lower. Decreases for lower grades of Southern pine offset increases for higher grades of pines and for the shop grade of poplar. Wood pulp and box board prices continued to advance. Further declines were reported for crude rubber, anthracite, raw silk and soap. Reversing previous declines, prices of one prominent construction of print cloth advanced. Continued lack of demand for shoes at present high prices caused further declines in the prices of hides and skins. There were substantial advances for cattle feed, particularly mill by-products."

CHANGES IN WHOLESALE PRICES BY COMMODITY GROUPS
FOR WEEK ENDED MAY 17, 1947
(1926=100)

						Percent changes to May 17, 1947 from—		
Commodity Groups—	5-17 1947	5-10 1947	5-3 1947	4-19 1947	5-18 1946	5-10 1947	4-19 1947	5-18 1946
All commodities	147.0	146.7	146.7	147.2	110.9	+ 0.2	— 0.1	+32.6
Farm products	176.9	176.3	174.6	175.4	137.9	+ 0.3	+ 0.9	+28.3
Foods	161.1	161.1	162.7	162.2	111.5	0	— 0.7	+44.5
Hides and leather products	166.4	166.7	166.7	172.5	120.9	— 0.2	— 3.5	+37.6
Textile products	138.5	138.0	138.0	138.8	108.2	+ 0.4	— 0.2	+28.0
Fuel and lighting materials	104.1	104.0	104.0	104.1	87.0	+ 0.1	0	+19.7
Metals and metal products	141.8	140.7	140.7	140.9	109.3	+ 0.8	+ 0.6	+29.7
Building materials	177.4	178.6	178.5	178.4	126.9	— 0.7	— 0.6	+39.8
Chemicals and allied products	125.9	127.2	128.6	132.5	96.3	— 1.0	— 5.0	+30.7
Housefurnishings goods	129.4	128.6	128.6	128.1	109.4	+ 0.6	+ 1.0	+18.3
Miscellaneous commodities	115.9	114.9	115.4	115.6	96.3	+ 0.9	+ 0.3	+20.4
Special Groups—								
Raw materials	160.2	160.1	159.4	160.3	124.6	+ 0.1	— 0.1	+28.6
Semi-manufactured articles	143.2	142.0	142.2	146.0	101.7	+ 0.8	— 1.9	+40.8
Manufactured products	142.2	141.9	142.2	142.1	106.1	+ 0.2	+ 0.1	+34.0
All commodities other than farm products	140.5	140.2	140.6	141.1	104.8	+ 0.2	— 0.4	+34.1
All commodities other than farm products and foods	132.1	131.7	131.8	132.4	104.0	+ 0.3	— 0.2	+27.0

PERCENTAGE CHANGES IN SUBGROUP INDEXES FROM
MAY 10, 1947 TO MAY 17, 1947

Increases

Cattle feed	12.2	Motor vehicles	0.7
Grains	2.4	Iron and steel	0.5
Nonferrous metals	1.8	Paper and pulp	0.5
Cotton goods	1.7	Meats	0.2
Furnishings	1.7	Agricultural implements	0.1
Livestock and poultry	1.2	Fruits and vegetables	0.1
Cereal products	0.9	Other building materials	0.1
Woolen and worsted goods	0.1		

Decreases

Oils and fats	5.4	Furniture	0.7
Silk	5.2	Dairy products	0.6
Crude rubber	4.8	Other foods	0.6
Paint and paint materials	3.0	Anthracite	0.3
Hides and skins	1.2	Lumber	0.3
Other farm products	1.0	Other textile products	0.3
Drug and pharmaceutical materials	0.1		

*Based on the BLS weekly index of prices of about 900 commodities which measures changes in the general level of primary market prices. This index should be distinguished from the daily index of 28 commodities. For the most part, prices are those charged by manufacturers or producers or are those prevailing on commodity exchanges. The weekly index is calculated from one-day-a-week prices. It is designed as an indicator of week-to-week changes and should not be compared directly with the monthly index.

Retail Prices Continued to Advance In April, According to Fairchild Index

Retail prices continued to rise for the 14th consecutive month according to the Fairchild Publications' Retail Price Index. Quotations in April showed an increase of 0.3% over March and a 9.0% gain over May 1 a year ago. There has been a gain of 8.0% since the lifting of price controls on July 1, 1946, said the Fairchild announcement issued May 16.

Except for piece goods, the report added, which showed a decline due to sharp reductions in silk fabric prices, each of the major groups advanced during April. The greatest increase was recorded in home furnishings, with men's and women's apparel showing comparable gains. As compared with a year ago, men's apparel, infants' wear and home furnishings showed the greatest gains. The same groups also recorded the greatest advances above July 1, 1946.

An analysis of the individual items comprising the index shows quite a few fractional declines. The following items in the index recorded decreases: silk piece goods, women's hosiery, men's furnishings, and luggage. There was very little change in the prices of woolen piece goods, corsets, furs, shirts and neckwear, men's clothing and chinaware. The greatest increases were recorded by men's shoes, radios and women's housedresses.

Prices will continue to show gains for the next two or three months. A decline in retail prices later this year is likely, according to A. W. Zelomek, economist, under whose supervision the index is compiled. This would reflect a lower level of wholesale prices, but is not likely to show up to any great extent in the Retail Price Index much before the fourth quarter of the year.

U. S. Exports in First Quarter

Exports of goods and services during the first quarter of 1947 reached $4.9 billion, an annual rate of about $19.5 billion, the Department of Commerce said on May 22 and aded:

This represents a new peacetime export record and it has been exceeded only in the war year of 1944 when lend-lease was at its peak.

Imports during the first quarter 1947 totaled $1.9 billion, leaving an export surplus of about $3 billion for the quarter.

Part of this difference between exports and imports was financed by unilateral transfers of about $700 million (net), consisting of private gifts and remittances, transfers through UNRRA, civilian supplies distributed by the Armed Forces in the occupied countries, and miscellaneous items of a similar character.

Net overflow of United States capital, chiefly loans by the Federal Government, covered an additional $1.2 billion. Disbursements on direct loans by the Export-Import Bank of $280 million and drawings of $500 million on the British Loan were the principal transactions in this category. Foreign countries drew down their dollar assets and sold gold to finance the remainder of their deficit with the United States to the combined extent of $1.2 billion.

Preliminary estimates of the balance of international payments of the United States for the first quarter of 1947 are shown in the following table together with comparable figures for the fourth quarter of 1946. The figures exclude transactions with the World Bank and Monetary Fund.

Balance of International Payments of the U. S.
(In Billions of Dollars)

	4th quart. 1946	1st quart. 1947
Exports—		
Recorded exports	2.6	3.6
Other goods transferred	.5	.5
Services	.7	.8
Total exports	3.8	4.9
Means of Financing—		
Recorded imports	1.4	1.4
Other purchases abroad	.1	.1
Services	.4	.4
Total imports	1.9	1.9
Gifts, gov. & priv., net	.6	.7
Loans, long & short-term	.6	1.2
Sale of foreign assets	.9	1.2
Unidentified transactions	—.2	—.1
Total	3.8	4.9

NY State Savings Bank Deposits Up in April

A net gain in savings deposits of $36,371,674 was scored in April by the 131 mutual savings banks in New York State, according to Robert M. Catharine, President of the Savings Banks Association. It was the 57th consecutive month in which savings have increased, exclusive of dividends credited. Accounts increased by 11,613 during the same month.

Comparative gains in deposits and accounts during April, 1946, amounted to $57,884,162 and 14,903, respectively.

Total deposits held by the mutual savings banks in New York State now stand at $9,377,371,776, the largest sum ever attained. Total accounts now number 7,021,751 or approximately one for every two persons in the State.

A 1946-1947 comparison of four-month totals reveals that from Jan. 1 through April 30 of this year, savings deposits, inclusive of dividends, gained $218,190,840 or 2.3%, as compared to $276,936,545 or 3.3%, during the same period last year. Accounts increased by 82,541 or 1.1% this year as against 120,797 or 1.8% in the corresponding four months of 1946.

Gains in savings accounts and dollar deposits during the first four months of this year are running approximately 68% and 79%, respectively, of 1946 levels.

Result of Treasury Bill Offering

The Secretary of the Treasury announced on May 26 that the tenders for $1,300,000,000 or thereabout of 91-day Treasury bills to be dated May 29 and to mature Aug. 28, which were offered on May 23 were opened at the Federal Reserve banks on May 26.

Total applied for, $1,807,342,000.

Total accepted, $1,311,450,000 (includes $13,892,000 entered on a fixed price basis at 99.905 and accepted in full).

Average price, 99.095+; equivalent rate of discount approximately 0.376% per annum.

Range of accepted competitive bids:

High, 99.906, equivalent rate of discount approximately 0.372% per annum.

Low, 99.905, equivalent rate of discount approximately 0.376% per annum.

(72% of the amount bid for at the low price was accepted.)

There was a maturity of similar issue of bills on May 29 in the amount of $1,320,620,000.

Daily Average Crude Oil Production for Week Ended May 17, 1947, Increased 3,450 Barrels

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended May 17, 1947, was 5,008,050 barrels, a new all-time high record, representing an increase of 3,450 barrels per day over the preceding week and a gain of 256,700 barrels per day over the corresponding week of 1946. The current figure was also 137,050 barrels in excess of the daily average figure of 4,871,000 barrels estimated by the United States Bureau of Mines as the requirement for the month of May 1947. Daily output for the four weeks ended May 17, 1947, averaged 4,973,400 barrels. The Institute's statement further adds:

Reports received from refining companies indicate that the industry as a whole ran to stills on a Bureau of Mines basis approximately 4,867,000 barrels of crude oil daily and produced 14,522,000 barrels of gasoline; 2,137,000 barrels of kerosine; 5,662,000 barrels of distillate fuel, and 8,217,000 barrels of residual fuel oil during the week ended May 17; and had in storage at the end of that week 99,793,000 barrels of finished and unfinished gasoline; 10,586,000 barrels of kerosine; 33,844,000 barrels of distillate fuel and 44,390,000 barrels of residual fuel oil.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	*B. of M. Calculated Requirements May	State Allowables Begin. May 1	—Actual Production— Week Ended May 17, 1947	Change from Previous Week	4 Weeks Ended May 17, 1947	Week Ended May 18, 1946
**New York-Penna.	49,200		48,650	+ 1,850	48,500	51,700
Florida	----		500	— 50	550	250
**West Virginia	8,000		7,850	— 50	7,700	7,900
**Virginia	----		200	----	200	----
**Ohio—Southeast }	8,000		6,700	+ 500	6,500	5,750
Ohio—Other }			2,550	— 50	2,500	2,650
Indiana	18,000		17,900	— 200	18,050	20,400
Illinois	210,000		185,800	— 3,650	187,050	207,850
Kentucky	29,000		25,900	----	25,550	30,150
Michigan	47,000		42,050	+ 900	40,800	46,000
Nebraska	700		†600	----	600	750
Kansas	275,000	280,000	†280,450	+ 7,800	281,500	261,350
Oklahoma	380,000	378,125	†385,750	+ 50	385,900	373,400
Texas—						
District I			21,100	----	20,950	----
District II			159,150	----	158,650	----
District III			485,150	----	483,200	----
District IV			243,400	----	242,800	----
District V			38,350	----	38,250	----
East Texas			338,000	----	336,700	----
Other Dist. VI			112,500	----	112,050	----
District VII-B			38,200	----	37,700	----
District VII-C			36,800	----	36,600	----
District VIII			530,150	----	511,200	----
District IX			137,800	----	137,100	----
District X			86,250	----	85,650	----
Total Texas	2,120,000	‡2,241,957	2,226,850	----	2,200,850	2,114,800
North Louisiana			98,050	+ 200	97,550	78,650
Coastal Louisiana			316,000	----	314,900	291,450
Total Louisiana	411,000	455,000	414,050	+ 200	412,450	370,100
Arkansas	79,000	79,960	74,700	— 250	74,400	72,250
Mississippi	86,000		87,950	— 1,800	87,900	61,850
Alabama	2,100		1,100	— 50	800	1,050
New Mexico—So. East }	102,000	112,000	105,350	----	104,150	95,300
New Mexico—Other— }			500	+ 50	450	500
Wyoming	108,000		114,950	+ 1,900	114,450	112,950
Montana	24,000		22,600	— 700	22,850	19,400
Colorado	39,000		40,700	+ 400	39,200	29,600
California	875,000	§846,500	908,400	— 3,400	910,500	865,400
Total United States	4,871,000		5,008,050	+ 3,450	4,973,400	4,751,350
**Pennsylvania Grade (included above)			63,400	+ 2,300	62,900	65,350

*These are Bureau of Mines calculations of the requirements of domestic crude oil based upon certain premises outlined in its detailed forecasts. They include the condensate that is moved in crude pipelines. The A. P. I. figures are crude oil only. As requirements may be supplied either from stocks or from new production, contemplated withdrawals from crude oil inventories must be deducted, as pointed out by the Bureau, from its estimated requirements to determine the amount of new crude to be produced.

†Oklahoma, Kansas, Nebraska figures are for week ended 7:00 a.m. May 15, 1947.

‡This is the net basic allowable as of May 1 calculated on a 31-day basis and includes shutdowns and exemptions for the entire month. With the exception of several fields which were exempted entirely and for certain other fields for which shutdowns were ordered for from 4 to 13 days, the entire State was ordered shut down for 4 days, no definite dates during the month being specified; operators only being required to shut down as best suits their operating schedules or labor needed to operate leases, a total equivalent to 4 days shutdown time during the calendar month.

§Recommendation of Conservation Committee of California Oil Producers.

CRUDE RUNS TO STILLS; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE, KEROSINE, GAS OIL AND DISTILLATE FUEL and RESIDUAL FUEL OIL, WEEK ENDED MAY 17, 1947

(Figures in thousands of barrels of 42 gallons each)

Figures in this section include reported totals plus an estimate of unreported amounts and are therefore on a —Bureau of Mines basis—

District—	% Daily Refin'g Capac. Report'g	Crude Runs to Stills Daily Av.	Crude Runs to Stills % Operated	§Gasoline Product'n at Ref. Inc. Nat. Blended	‡Finished and Unfin. Gasoline Stocks	‡Stocks of Kerosine	‡Stks. of Gas, Oil & Dist. Fuel Oil	‡Stks. of Resid. Fuel Oil
East Coast	99.4	839	102.7	1,976	22,006	4,754	9,251	7,157
Appalachian—								
District No. 1	89.2	99	76.2	300	2,554	195	391	245
District No. 2	100.0	72	110.8	239	1,135	56	114	107
Ind. Ill. Ky.	85.8	764	83.1	2,614	20,143	1,340	2,873	2,246
Okla. Kans. Mo.	80.1	422	93.0	1,472	9,323	402	1,225	996
Inland Texas	65.5	197	66.6	751	4,069	233	319	610
Texas Gulf Coast	94.5	1,072	81.2	3,206	13,963	1,641	5,818	5,112
Louisiana Gulf Coast	96.4	360	100.8	1,058	5,213	828	2,007	1,019
No. La. & Arkansas	64.4	65	57.0	164	1,979	229	381	110
Rocky Mt.								
New Mexico	25.3	11	84.6	41	83	17	42	43
Other Rocky Mt.	71.5	129	74.1	422	2,967	68	501	622
California	88.0	837	88.7	2,279	16,358	823	10,922	26,123
Total U. S.—B. of M. basis May 17, 1947	88.6	4,867	86.9	14,522	*99,793	10,586	33,844	44,390
Total U. S.—B. of M. basis May 10, 1947	87.1	4,840	85.8	14,351	100,934	10,152	33,363	42,875
U. S. B. of M. basis May 18, 1946		4,747		14,163	†96,206	11,969	33,108	41,512

*Includes unfinished gasoline stocks of 8,434,000 barrels. †Includes unfinished gasoline stocks of 8,446,000 barrels. ‡Stocks at refineries, at bulk terminals, in transit and in pipe lines. §In addition, there were produced 2,137,000 barrels of kerosine, 5,662,000 barrels of gas oil and distillate fuel oil and 8,217,000 barrels of residual fuel oil in the week ended May 17, 1947, as compared with 1,921,000 barrels, 514,000 barrels and 8,224,000 barrels, respectively, in the preceding week and 963,000 barrels, 5,492,000 barrels and 8,199,000 barrels, respectively, in the week ended May 18, 1946.

Trading on New York Exchanges

The Securities and Exchange Commission made public on May 21 figures showing the volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the week ended May 3, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

Trading on the Stock Exchange for the account of members (except odd-lot dealers) during the week ended May 3 (in round-lot transactions) totaled 1,735,988 shares, which amount was 19.03% of the total transactions on the Exchange of 4,560,060 shares. This compares with member trading during the week ended April 26 of 1,721,742 shares, or 18.43% of the total trading of 4,673,730 shares.

On the New York Curb Exchange, member trading during the week ended May 3 amounted to 327,975 shares, or 17.01% of the total volume on that Exchange of 963,850 shares. During the week ended April 26 trading for the account of Curb members of 296,245 shares was 15.27% of the total trading of 969,950 shares.

Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members* (Shares)

WEEK ENDED MAY 3, 1947

	Total for Week	†%
A. Total Round-Lot Sales:		
Short sales	292,270	
‡Other sales	4,267,790	
Total sales	4,560,060	
B. Round-Lot Transactions for Account of Members Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	534,190	
Short sales	95,820	
‡Other sales	421,850	
Total sales	517,670	11.53
2. Other transactions initiated on the floor—		
Total purchases	151,530	
Short sales	28,700	
‡Other sales	134,100	
Total sales	162,800	3.45
3. Other transactions initiated off the floor—		
Total purchases	176,520	
Short sales	23,410	
‡Other sales	169,868	
Total sales	193,278	4.05
4. Total—		
Total purchases	862,240	
Short sales	147,930	
‡Other sales	725,818	
Total sales	873,748	19.03

Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members* (Shares)

WEEK ENDED MAY 3, 1947

	Total for Week	†%
A. Total Round-Lot Sales:		
Short sales	22,830	
‡Other sales	941,020	
Total sales	963,850	
B. Round-Lot Transactions for Account of Members:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	100,255	
Short sales	5,700	
‡Other sales	94,385	
Total sales	100,085	10.39
2. Other transactions initiated on the floor—		
Total purchases	15,750	
Short sales	3,100	
‡Other sales	12,200	
Total sales	15,300	1.61
3. Other transactions initiated off the floor—		
Total purchases	54,560	
Short sales	6,100	
‡Other sales	35,925	
Total sales	42,025	5.01
4. Total—		
Total purchases	170,565	
Short sales	14,900	
‡Other sales	142,510	
Total sales	157,410	17.01
C. Odd-Lot transactions for Account of Specialists—		
Customers' short sales	0	
§Customers' other sales	50,870	
Total purchases	50,870	
Total sales	42,196	

*The term "members" includes all regular and associate Exchange members, their firms and their partners, including special partners.

†In calculating these percentages the total of members' purchases and sales is compared with twice the total round-lot volume on the Exchange for the reason that the Exchange volume includes only sales.

‡Round-lot short sales which are exempted from restriction by the Commission's rules are included with "other sales."

§Sales marked "short exempt" are included with "other sales."

Short Positions on Curb to May 15

The total short position in stocks traded on the New York Curb Exchange stood at 161,581 shares on May 15, 1947, an increase of 33,544 shares from the figure of 128,037 reported on April 15, 1947. This increase continues the rising trend experienced in the Curb mid-month short position each month since last September with the exception of March, when a decrease was registered, The Curb's announcement, issued on May 20, continued:

A short position of 5,000 shares or more was reported in five of the 851 stock issues traded on the Curb Exchange on May 15, compared with a like number of such issues on April 15. Some short position existed in 156 of the Curb stock issues on May 15, compared with 164 issues on April 15.

The report follows:

Security—	—Short Position— May 15, '47	Apr. 15, '47	Increase	Decrease
Central & South West Corp. (Com.)	59,643	25,521	34,122	
Cities Service Co. (Com.)	8,020	9,620	1,600	
Kaiser-Frazer Corp. (Com.)	18,408	13,500	4,908	
Pan American Airways Corp. (Wts.)	19,450	22,800		3,350
Selected Industries, Inc. (Com.)	5,200	5,300		100
Total Short Position (Stocks)	161,581	128,037	33,544	
Total Short Position (Bonds)	20	1	19	

Savs. and Loan Assns. Increase Assets

The first quarter of 1947 continued the climb of savings and loan association assets beyond all previous heights, saw an increasing amount of their assets invested in mortgage loans, and cut down on the ratio of delinquent loans, which was negligible to start with, said an announcement issued on May 17, which continued:

This is the picture revealed in the United States Savings and Loan League's survey of current operating conditions in this business which it has served 55 years as a trade organization. The results are based on reports from 554 associations which make up 40% of the resources of the entire system.

Morton Bodfish, Chicago, Chairman of the Executive Committee of the League, pointed to the following facts:

(1) A 2.7% increase in assets between Jan. 1 and March 31, 1947, giving the nation the largest specialized home financing system it has ever had. Assets were estimated at $10,500,000,000 at the beginning of the year.

(2) Reporting associations showed 71.5% of all of their resources employed in mortgage loans, principally to buyers and builders of homes. This compares with 69.3% in mortgage loans as of Dec. 31, 1946, and 60.2% as of Dec. 31, 1945.

(3) Only three borrowers had any back payments due for every $1,000,000 of home loans outstanding on March 31. This record of borrower ability and willingness to meet obligations was established despite the rapid increase in the volume of mortgage loans since V-J Day. An improvement has taken place even in the first three months of 1947, since the ratio was 3.05 borrowers with a payment or two behind for every $1,000,000 in loans on Dec. 31, 1946, and 3.97 on Dec. 31, 1945.

NYSE Odd-Lot Trading

The Securities and Exchange Commission made public on May 21, a summary of complete figures showing the daily volume of stock transactions for odd-lot account of all odd-lot dealers and specialists who handled odd lots on the New York Stock Exchange for the week ended May 10, continuing a series of current figures being published by the Commission. The figures are based upon reports filed with the Commission by the odd-lot dealers and specialists.

STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE

Week Ended May 10, 1947

	Total For Week
Odd-Lot Sales by Dealers— (Customers' purchases)	
Number of orders	20,511
Number of shares	568,809
Dollar value	$22,857,765
Odd-Lot Purchases by Dealers— (Customers' sales)	
Number of Orders:	
Customers' short sales	538
*Customers' other sales	17,104
Customers' total sales	17,642
Number of Shares:	
Customers' short sales	20,716
*Customers other sales	463,086
Customers' total sales	483,802
Dollar value	$18,078,703
Round-Lot Sales by Dealers—	
Number of Shares:	
Short sales	0
†Other sales	145,440
Total sales	145,440
Round-Lot Purchases by Dealers—	
Number of shares	214,460

*Sales marked "short-exempt" are reported with "other sales."

†Sales to offset customers' odd-lot orders and sales to liquidate a long position which is less than a round lot are reported with "other sales."

Civil Engineering Construction Totals $113,164,000 for Week

Civil engineering construction volume in continental United States totals $113,164,000 for the week ending May 22, 1947, as reported by "Engineering News-Record." This volume is 14% below the previous week, 9% above the corresponding week of last year, and 8% above the previous four-week moving average. The report issued on May 22 continued as follows:

Private construction this week, $54,617,000 is 41% less than last week and 23% below the week last year. Public construction, $58,547,000, is 50% above last week, and 78% greater than the week last year. State and municipal construction, $29,891,000, 8% below last week, is 15% above the 1946 week. Federal construction, $28,656,000, is 346% above last week, and 315% above the week last year.

Total engineering construction for the 21-week period of 1947 records a cumulative total of $2,084,464,000, which 4% above the total for a like period of 1946. On a cumulative basis, private construction in 1947 totals $1,251,489,000, which is 4% below that for 1946. Public construction, $832,975,000, is 18% greater than the cumulative total for the corresponding period of 1946, whereas state and municipal construction, $612,614,000 to date, is 33% above 1946. Federal construction, $220,361,000, dropped 9% below the 21-week total of 1946.

Civil engineering construction volume for the current week, last week and the 1946 week are:

	May 22, '47	May 15, '47	May 23, '46
Total U. S. Construction	$113,164,000	$131,313,000	$104,163,000
Private Construction	54,617,000	92,226,000	71,233,000
Public Construction	58,547,000	39,087,000	32,930,000
State and Municipal	29,891,000	32,662,000	26,021,000
Federal	28,656,000	6,425,000	6,909,000

In the classified construction groups, waterworks, bridges, and public buildings gained this week over last week. Five of the nine classes recorded gains this week over the 1946 week as follows: waterworks, bridges, highways, public buildings, and unclassified construction.

New Capital

New capital for construction purposes this week totals $30,326,000 and is made up of $27,736,000 in state and municipal bond sales and $2,590,000 in corporate securities. New capital for construction purposes for the 21-week period of 1947 totals $648,807,000, 20% greater than the $541,080,000 reported for the corresponding period of 1946.

Factory Earnings in March Equals Wartime Peak, Labor Dept. Reports

Weekly earnings in manufacturing industries averaged $47.47 in March, the same as the January 1945 wartime peak, according to preliminary estimates issued on May 1 by the Bureau of Labor Statistics of the U. S. Department of Labor. However, the factory work week averaged five hours shorter in March than at the war peak.

Preliminary averages for March are:

	Weekly Earnings	Weekly Hours	Hourly Earnings
All Manufacturing	$47.47	40.3	117.9¢
Durable	49.96	40.4	123.6¢
Nondurable	44.80	40.1	111.7¢

The February average work week in manufacturing was 40.4 hours, a half hour below the level of last December In the soft goods industries the reduction was even more marked. However, throughout manufacturing the work week continued to average over 40 hours.

Average weekly earnings rose between January and February, reflecting widespread wage increases and some premium pay for work on Lincoln's Birthday. The largest increases were reported in the soft goods industries. In the woolen and worsted industry, for example, substantial wage rate increases under union agreements increased average weekly earnings to $47.44 as compared with approximately $43.00 in December and January. In the rayon and allied products industry, weekly earnings rose to $47.31, a gain of about $3.50 over the two-month period.

Of the 20 major manufacturing groups, eight had weekly earnings of more than $50. Apparel and tobacco alone averaged less than $40 a week. Less than 10% of all production workers in manufacturing in February were employed in these two groups.

Non-Ferrous Metals—Domestic Copper Price Situation Unchanged—Lead Continues Firm

"E. & M. J. Metal and Mineral Markets," in its issue of May 22, stated: "Developments in copper in the week that ended May 21 left the price situation here about unchanged. The scrap market for copper was easier. Producers of ingot brass and bronze announced lower prices. In this atmosphere of uncertainty some of the recent bullishness seemed to suffer, and operators wondered whether a compromise between 21½¢ and 24¢ copper might be in order. Demand for lead remained active, with the supply still tight. Zinc buying moderated. Aluminum, primary as well as secondary, was offered more freely. Quicksilver was unsettled in a quiet market, the price declining $1 per flask. Tungsten moved higher on light offerings from foreign sources." The publication further went on to say in part as follows:

Copper

"E. & M. J. M. & M.'s" average price of copper in the domestic market for the week was 22.138¢, f.o.b. refinery, which compares with 22.513¢., f.o.b. refinery, in the preceding week. Domestic metal sold at 21½¢., Valley, in three directions. Two custom smelters and one foreign producer were sellers on the 24¢ basis. Business booked during the week averaged close to 5,000 tons a day. Fabricators continued to base their price schedules on 21½¢ metal.

The Government will release about 10,000 tons of copper for June shipment to domestic consumers, the trade believes.

The demand for copper in the foreign division of the market was fairly active, and the bulk of the business closed last week was transacted on the unchanged basis of 23¾¢, f.a.s. New York equivalent.

The Copper Institute reports that deliveries of copper to customers in April amounted to 120,311 tons, against 123,590 tons in March. In view of the uncertain conditions that obtained during most of the month, the deliveries were viewed as substantial. Of the total quantity shipped in April, the Office of Metals Reserve supplied 23,089 tons. Produciton of refined copper totaled 107,270 tons, and included a fair tonnage derived from foreign blister, etc. Production of crude copper in the United States totaled 88,817 tons in April, of which 13,130 tons was secondary.

Lead

Unless demand for lead falls off from its present high rate, producers look for the market to remain firm over the summer period, even though other nonferrous metals may show some unsettlement. Domestic production is likely to decline in the next two or three months, owing to an expected drop in smelter output and vacations.

Demand for lead last week was active, sales amounting to 10,218 tons. From present indications the Government will release between 5,000 and 6,000 tons of lead for June.

Mine production of recoverable lead in the United States in March amounted to 31,442 tons, which compares with 29,850 tons in February and 31,476 tons in January, the Bureau of Mines reports.

Lead consumed in the United Kingdom in the first quarter of 1947 totaled 70,860 long tons, of which 42,535 tons was virgin lead and 28,325 tons scrap. During 1946 the United Kingdom consumed lead at the rate of 79,298 tons per quarter, of which 48,376 tons was virgin metal and 30,922 tons scrap. The decline in consumption in the first quarter of the current year was caused by the coal shortage and severe weather conditions.

The United Kingdom imported 32,251 tons of pig lead in the first quarter of 1947, against 34,762 tons in the same period a year ago. Imports in the January-March period of this year, by countries, were: Burma, 36 tons; Australia, 16,704 tons; Canada, 8,951 tons; Mexico, 2,623 tons; Peru, 1,000 tons; other countries, 2,937 tons.

Zinc

Compared with recent months, producers have experienced a reduced volume of business for zinc for June shipment. Otherwise the market remains unchanged, Prime Western holding at 10½¢, East St. Louis.

The Monsanto electrolytic refinery of the American Zinc, Lead & Smelting Co. has been strikebound for more than a week.

The foreign market for zinc was described as unsettled, with indications that 10½¢, Gulf ports, has been shaded.

Tin

About 50 tons of tin arrived in this country during the last week from Siam. This is part of an estimated 16,000 tons of tin accumulated in Siam during the war years. Approximately one-half of the tonnage on hand has been earmarked for shipment to the United States. Some questions have been raised here over the quality of the tin, as most of it was produced at small, inefficient smelting plants. Before the war, the mine output of Siam was treated at smelters located in the Straits Settlements.

A nine-day strike at the mines of Patino, Bolivia, was settled last Saturday.

The market situation in tin was unchanged last week. Straits quality tin for shipment was nominally as follows:

	May	June	July
May 15	80.000	80.000	80.000
May 16	80.000	80.000	80.000
May 17	80.000	80.000	80.000
May 19	80.000	80.000	80.000
May 20	80.000	80.000	80.000
May 21	80.000	80.000	80.000

Chinese tin (guaranteed 99% minimum) 78.90¢ per pound.

Quicksilver

Business in quicksilver during the last week was on the quiet side and prices showed further unsettlement. The metal was available at $84 to $87 per flask, depending on seller and quantity involved, or $1 lower than in the preceding week. Prices named by foreign producers were unchanged.

Imports of quicksilver into the United Kingdom in the first quarter of 1947 amounted to 6,456 flasks, which compared with 1,322 flasks in the January-March period of 1946. The British market continued at £17 5s. per flask.

Silver

The New York Official quotation for silver continued at 72¾¢ an ounce throughout the week. London was unchanged at 44¼d.

Mine production of silver in the United States in March amounted to 2,668,707 oz., against 2,538,888 oz. in February, according to the Bureau of Mines. Production in 1946 averaged 1,814,853 oz. a month.

DAILY PRICES OF METALS ("E. & M. J." QUOTATIONS)

	—Electrolytic Copper— Dom. Refy.	Exp. Refy.	Straits Tin, New York	—Lead— New York	St. Louis	Zinc St. Louis
May 15	22.225	23.675	80.000	15.000	14.800	10.500
May 16	22.325	23.675	80.000	15.000	14.800	10.500
May 17	21.225	23.675	80.000	15.000	14.800	10.500
May 19	22.625	23.675	80.000	15.000	14.800	10.500
May 20	22.525	23.675	80.000	15.000	14.800	10.500
May 21	21.900	23.675	80.000	15.000	14.800	10.500
Average	22.138	23.675	80.000	15.000	14.800	10.500

Average prices for calendar week ended May 17 are: Domestic copper f.o.b. refinery, 22.267c; export copper f.o.b. refinery, 23.675c; Straits tin, 80.000c; New York lead, 15.000c; St. Louis lead, 14.800c; St. Louis zinc, 10.500c; and silver, 72.750c.

The above quotations are "E. & M. J. M. & M. M.'s" appraisal of the major United States markets, based on sales reported by producers and agencies. They are reduced to the basis of cash, New York or St. Louis, as noted. All prices are in cents per pound.

Copper, lead and zinc quotations are based on sales for both prompt and future deliveries; tin quotations are for prompt delivery only.

In the trade, domestic copper prices are quoted on a delivered basis: that is, delivered at consumers' plants. As delivery charges vary with the destination, the figures shown above are net prices at refineries on the Atlantic seaboard. Delivered prices in New England average 0.275c per pound above the refinery basis.

"E. & M. J. M. & M. M.'s" export quotation for copper reflects prices obtaining in the open market and is based on sales in the foreign market reduced to the f.o.b. refinery equivalent, Atlantic seaboard. On f.a.s. transactions, 0.075c is deducted for lighterage, etc., to arrive at the f.o.b. refinery quotation.

Quotations for copper are for the ordinary forms of wirebars and ingot bars. For standard ingots an extra 0.075c per pound is charged; for slabs 0.175c up, and for cakes 0.225c up, depending on weight and dimension; for billets an extra 0.95c up, depending on dimensions and quality. Cathodes in standard sizes are sold at a discount of 0.125c per pound.

Quotations for zinc are for ordinary Prime Western brands. Contract prices for High-grade zinc delivered in the East and Middle West in nearly all instances command a premium of 1c per pound over the current market for Prime Western but not less than 1c over the "E. & M. J." average for Prime Western for the previous month; the premium on Special High Grade in most instances is 1¼c.

Quotations for lead reflect prices obtained for common lead only. The differential on sales in the Chicago district is 10 points under New York; for New England add five points to the New York basis.

April Hourly Earnings Above War Peak

Average hourly earnings of production workers in the 25 manufacturing industries included in the National Industrial Conference Board's monthly survey has risen since the end of 1945, the Board announced on May 26. In February, 1946, the wartime peak was passed, the report added, and the February, 1947, average was 13% higher than a year earlier. On the other hand, the average work week during the first two months of 1947 was much shorter than during the war period, although a slight upward trend was evident after the first part of last year. The Board went on to say:

"Weekly earnings, the result of the combination of hourly earnings and the number of hours worked, have risen each month since last June, and both the January and February, 1947, averages were above the highest point reached during the war.

"Real weekly earnings, or actual weekly earnings adjusted for changes in the consumers' price index in terms of 1923 dollars, have fluctuated so widely since the beginning of 1946 that no general trend can be discerned. However, even the lowest point reached during these 14 months was substantially above prewar levels.

"Since June, 1945, workers received the highest earnings of any month during the war—$1.11 for an average hour's work — that month was selected for comparison with February of this year, the latest month for which data are available. The increase in hourly earnings over this period of less than two years amounted to 16.5 cents or 14.9%. In June, 1945, the work week averaged 45.2 hours and in February, 1947, it was 40.8 hours, a decrease of 4.4 hours or 9.7%.

"The over-all change in employment from June, 1945, to February, 1947, was a small rise of 0.9%. The charges in employment in the individual industries, however, ranged from a decrease of 30.8% to an increase of 42.1%, with six industries showing decreases and 19 increases. In June, 1945, the proportions of the workers in the female, unskilled male and skilled male groups were 26.8%, 13.0% and 60.2%, respectively. For February, 1947 the corresponding figures were 19.4%, 14.9%, and 65.7%. This increase in the highest-paid group, the skilled males, with the decrease in the lowest-paid, the women workers; would tend to raise hourly earnings somewhat, but certainly not so much as the 14.9% increase which acutally occurred.

"A new round of increases has recently been announced by the major companies in three industries—iron and steel, automobile and electrical manufacturing. The increases in hourly rates will amount to 12.5 cents for the steel workers and 11.5 cents for those in the other two industries. The rise in the average earnings of all workers in these industries depends, of course, on what proportion of the industry pays the new rates. Assuming that the rest of the companies in each case grant the same increases as those already announced, the new hourly earnings will be approximately 9% higher than the February averages."

Revenue Freight Car Loadings During Week Ended May 17, 1947, Increased 3,966 Cars

Loading of revenue freight for the week ended May 17, 1947 totaled 888,208 cars, the Association of American Railroads announced on May 22. This was an increase of 199,998 cars or 29.1% above the corresponding week in 1946 when loadings were affected by labor difficulties, and an increase of 19,294 cars or 2.2% above the same week in 1945.

Loading of revenue freight for the week of May 17 increased 3,966 cars or four-tenths of 1% above the preceding week.

Miscellaneous freight loading totaled 386,995 cars, an increase of 4,386 cars above the preceding week, and an increase of 79,468 cars above the corresponding week in 1946.

Loading of merchandise less than carload freight totaled 121,042 cars, a decrease of 1,584 cars below the preceding week, but an increase of 1,986 cars above the corresponding week in 1946.

Coal loading amounted to 189,419 cars, an increase of 347 cars above the preceding week, and an increase of 49,934 cars above the corresponding week in 1946.

Grain and grain products loading totaled 42,286 cars, an increase of 263 cars above the preceding week and an increase of 148 cars above the corresponding week in 1946. In the Western Districts alone, grain and grain products loading for the week of May 17 totaled 27,296 cars, a decrease of 220 cars below the preceding week and a decrease of 1,390 cars below the corresponding week in 1946.

Livestock loading amounted to 13,225 cars a decrease of 1,026 cars below the preceding week and a decrease of 1,416 cars below the corresponding week in 1946. In the Western Districts alone loading of livestock for the week of May 17 totaled 9,881 cars a decrease of 1,111 cars below the preceding week, and a decrease of 956 cars below the corresponding week in 1946.

Forest products loading totaled 48,356 cars, a decrease of 366 cars below the preceding week but an increase of 13,536 cars above the corresponding week in 1946.

Ore loading amounted to 72,597 cars an increase of 2,283 cars above the preceding week and an increase of 47,016 cars above the corresponding week in 1946.

Coke loading amounted to 14,288 cars, a decrease of 337 cars below the preceding week but an increase of 9,326 cars above the corresponding week in 1946.

All districts reported increases compared with the corresponding week in 1946 and all reported increases compared with the same week in 1945, except the Northwestern, Centralwestern and Southwestern.

	1947	1946	1945
Four Weeks of January	3,168,397	2,883,863	3,003,655
Four Weeks of February	3,179,198	2,866,876	3,052,487
Five Weeks of March	4,170,420	3,982,240	4,022,088
Four Weeks of April	3,232,947	2,604,049	3,377,335
Week of May 3	882,684	671,311	866,034
Week of May 10	884,242	684,942	838,764
Week of May 17	888,208	688,210	868,914
Total	16,406,096	14,381,491	16,029,277

The following table is a summary of freight carloadings for the separate railroads and systems for the week ended May 17, 1947. During this period 107 roads reported gains over the week ended May 18, 1946.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS
(NUMBER OF CARS WEEK ENDED MAY 17)

Railroads	Total Revenues Freight Loaded 1947	1946	1945	Total Loads Received from Connections 1947	1946
Eastern District—					
Ann Arbor	307	352	280	1,758	1,144
Bangor & Aroostook	1,624	1,263	1,195	419	397
Boston & Maine	7,293	6,853	7,062	12,326	10,867
Chicago, Indianapolis & Louisville	1,416	979	1,023	2,541	1,571
Central Indiana	14	31	28	42	31
Central Vermont	1,056	1,017	1,148	2,243	1,829
Delaware & Hudson	5,232	4,426	3,317	10,625	7,921
Delaware, Lackawanna & Western	7,090	7,524	6,298	9,413	7,349
Detroit & Mackinac	353	301	245	262	168
Detroit, Toledo & Ironton	2,822	1,272	1,641	1,416	827
Detroit & Toledo Shore Line	406	274	426	3,043	1,641
Erie	12,840	10,241	11,572	15,638	11,129
Grand Trunk Western	4,523	3,956	4,059	7,920	5,776
Lehigh & Hudson River	196	208	146	2,262	2,031
Lehigh & New England	1,626	2,793	704	1,003	813
Lehigh Valley	8,822	8,134	5,342	8,214	6,029
Maine Central	2,715	2,443	2,426	3,384	2,387
Monongahela	8,136	5,542	3,260	298	198
Montour	2,775	1,517	2,927	33	6
New York Central Lines	52,827	39,665	51,182	51,876	36,384
N. Y., N. H. & Hartford	9,954	10,202	10,801	14,601	14,226
New York Ontario & Western	1,061	1,048	841	2,702	2,508
New York, Chicago & St. Louis	7,059	5,356	6,627	14,728	10,380
N. Y., Susquehanna & Western	412	304	387	1,224	1,286
Pittsburgh & Lake Erie	6,443	4,708	7,914	10,439	6,963
Pere Marquette	6,494	5,244	5,274	6,862	5,172
Pittsburg & Shawmut	1,469	825	762	51	39
Pittsburg, Shawmut & Northern	¶	248	325	0	178
Pittsburgh & West Virginia	903	951	1,046	2,645	1,617
Rutland	403	380	372	1,175	1,034
Wabash	6,264	5,419	6,104	11,894	8,955
Wheeling & Lake Erie	6,550	4,046	6,475	4,276	3,014
Total	169,085	137,522	151,209	205,313	153,870
Allegheny District—					
Akron, Canton & Youngstown	705	419	764	1,374	988
Baltimore & Ohio	44,871	37,377	47,010	24,451	20,208
Bessemer & Lake Erie	6,333	2,600	6,911	3,068	761
Cambria & Indiana	1,380	2	1,585	13	8
Central RR. of New Jersey	6,308	5,784	5,619	14,862	12,640
Cornwall	427	409	454	68	19
Cumberland & Pennsylvania	327	334	162	12	8
Ligonier Valley	107	86	91	6	13
Long Island	1,333	1,269	1,889	4,475	4,908
Penn-Reading Seashore Lines	1,731	1,524	1,880	1,870	1,954
Pennsylvania System	88,005	62,771	87,704	57,429	46,144
Reading Co.	14,177	14,352	10,782	24,863	18,446
Union (Pittsburgh)	19,110	3,995	20,619	7,299	3,454
Western Maryland	4,852	3,851	3,844	11,894	7,864
Total	189,716	134,773	189,314	151,684	117,415
Pocahontas District—					
Chesapeake & Ohio	37,195	26,214	28,433	15,348	10,368
Norfolk & Western	25,077	18,103	21,484	7,055	5,627
Virginian	5,185	4,632	4,520	2,878	1,278
Total	67,457	48,949	54,437	25,281	17,273
Southern District—					
Alabama, Tennessee & Northern	428	273	437	79	137
Atl. & W. P.—W. RR. of Ala.	872	645	815	2,083	1,822
Atlantic Coast Line	15,213	11,834	12,628	8,112	7,001
Central of Georgia	4,322	3,713	3,885	4,448	3,929
Charleston & Western Carolina	538	412	516	1,594	1,231
Clinchfield	2,351	1,284	[illegible]	3,436	2,493
Columbus & Greenville	335	315	223	197	288
Durham & Southern	116	87	147	621	369
Florida East Coast	1,953	1,902	1,460	1,475	1,196
Gainesville Midland	108	56	63	106	100
Georgia	1,118	1,142	1,140	2,095	1,706
Georgia & Florida	412	352	431	750	736
Gulf Mobile & Ohio	5,016	3,663	5,610	4,282	2,958
Illinois Central System	26,040	22,734	29,630	15,390	12,558
Louisville & Nashville	29,630	19,292	27,091	10,210	8,368
Macon, Dublin & Savannah	227	208	187	1,029	1,179
Mississippi Central	265	275	599	353	367
Nashville, Chattanooga & St. L.	3,455	2,997	3,507	4,371	3,543
Norfolk Southern	1,175	872	891	1,560	1,192
Piedmont Northern	381	335	414	1,830	1,100
Richmond, Fred. & Potomac	469	308	474	9,108	9,999
Seaboard Air Line	12,464	10,440	11,236	9,351	6,747
Southern System	28,089	20,519	25,092	24,475	19,926
Tennessee Central	880	538	582	813	645
Winston-Salem Southbound	200	120	137	982	969
Total	136,057	104,316	128,956	108,750	90,559
Northwestern District					
Chicago & North Western	19,910	14,534	19,731	13,611	11,114
Chicago Great Western	2,459	2,044	2,428	3,355	2,759
Chicago, Milw., St. P. & Pac.	22,793	18,857	21,459	11,141	8,253
Chicago, St. Paul, Minn. & Omaha	3,421	3,025	3,587	4,013	3,651
Duluth, Missabe & Iron Range	24,577	12,273	26,561	306	173
Duluth, South Shore & Atlantic	1,004	455	1,116	600	493
Elgin, Joliet & Eastern	9,072	5,692	9,057	11,368	6,987
Ft. Dodge, Des Moines & South	682	499	386	159	116
Great Northern	21,342	13,131	24,892	6,254	5,384
Green Bay & Western	469	391	458	948	704
Lake Superior & Ishpeming	2,334	162	2,024	116	61
Minneapolis & St. Louis	2,459	1,938	1,972	2,577	2,256
Minn., St. Paul & S. S. M.	7,131	4,716	7,520	3,628	3,328
Northern Pacific	10,785	9,375	11,932	4,735	4,460
Spokane International	147	144	276	764	378
Spokane, Portland & Seattle	2,792	2,125	2,939	2,812	2,305
Total	131,377	89,361	136,338	66,387	52,422
Central Western District—					
Atch. Top. & Santa Fe System	23,946	23,974	26,532	10,049	9,339
Alton	2,957	2,481	3,326	3,074	2,734
Bingham & Garfield	373	5	365	87	6
Chicago, Burlington & Quincy	21,122	17,703	18,669	11,527	9,354
Chicago & Illinois Midland	3,434	3,370	3,072	715	1,151
Chicago, Rock Island & Pacific	12,772	11,054	12,807	12,908	11,010
Chicago & Eastern Illinois	2,876	1,981	2,966	3,722	2,827
Colorado & Southern	525	463	536	1,824	1,709
Denver & Rio Grande Western	3,589	2,775	3,948	5,093	4,159
Denver & Salt Lake	*	*	*	*	*
Fort Worth & Denver City	1,115	1,228	1,047	1,519	1,231
Illinois Terminal	2,323	1,725	2,407	1,873	1,428
Missouri-Illinois	[illegible]	999	1,117	547	518
Nevada Northern	1,531	1,404	1,492	104	77
North Western Pacific	1,024	615	703	571	530
Peoria & Pekin Union	5	8	0	0	0
Southern Pacific (Pacific)	31,620	32,390	32,369	10,206	9,470
Toledo, Peoria & Western	106	0	410	348	0
Union Pacific System	14,871	12,294	15,633	14,380	13,211
Utah	737	570	517	11	0
Western Pacific	2,047	1,935	2,303	3,696	3,162
Total	128,496	116,974	130,219	82,254	71,916
Southwestern District—					
Burlington-Rock Island	328	287	398	668	480
Gulf Coast Lines	5,596	5,924	7,636	2,807	2,549
International-Great Northern	2,204	1,755	3,032	4,129	4,456
†K. O. & G.-M. V.-O. C.-A.-A.	1,112	1,018	1,276	1,750	1,262
Kansas City Southern	2,893	2,839	5,243	3,846	2,559
Louisiana & Arkansas	2,503	2,112	4,028	2,313	2,139
Litchfield & Madison	491	280	316	1,444	907
Missouri & Arkansas	§	111	169	§	282
Missouri-Kansas-Texas Lines	5,812	4,689	7,198	3,984	3,813
Missouri Pacific	16,736	13,058	17,090	16,289	14,134
Quanah Acme & Pacific	148	151	89	244	199
St. Louis-San Francisco	9,583	7,736	9,981	7,885	6,100
St. Louis-Southwestern	2,684	2,374	3,513	5,061	4,883
Texas & New Orleans	10,008	8,784	12,672	6,235	4,956
Texas & Pacific	5,789	5,048	5,652	7,572	6,213
Wichita Falls & Southern	97	119	100	61	54
Weatherford M. W. & N. W.	31	30	48	14	25
Total	66,020	56,315	78,441	64,302	55,011

*Included in Denver & Rio Grande Western RR.

†Includes Kansas, Oklahoma & Gulf Ry., Midland Valley Ry. and Oklahoma City-Ada-Atoka Ry. §Strike. ¶Abandoned.

NOTE—Previous year's figures revised.

Weekly Statistics of Paperboard Industry

We give herewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry.

The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated. These figures are advanced to equal 100%, so that they represent the total industry.

STATISTICAL REPORT—ORDERS, PRODUCTION, MILL ACTIVITY

Period 1947—Week Ended	Orders Received Tons	Production Tons	Unfilled Orders Remaining Tons	Percent of Activity Current	Cumulative
Feb. 1	204,033	179,347	579,562	102	99
Feb. 8	202,189	181,017	599,009	104	99
Feb. 15	169,624	178,458	589,544	102	100
Feb. 22	147,458	177,282	565,571	103	100
Mar. 1	192,670	181,709	574,856	102	101
Mar. 8	237,292	179,025	614,471	102	101
Mar. 15	163,207	179,819	595,648	104	101
Mar. 22	155,794	176,918	574,090	103	101
Mar. 29	160,450	180,729	549,774	102	100
Apr. 5	228,306	181,064	597,373	102	102
Apr. 12	139,487	165,902	569,809	96	101
Apr. 19	170,806	177,478	560,739	102	101
Apr. 26	153,415	180,227	534,297	100	101
May 3	232,682	181,063	582,603	102	101
May 9	159,888	179,059	560,526	101	101
May 16	153,869	179,155	532,231	102	101

NOTES—Unfilled orders for the prior week, plus orders received, less production do not necessarily equal the unfilled orders at the close. Compensation for delinquent reports, orders made for or filled from stock, and other items made necessary adjustments of unfilled orders.

More Freight Cars and Locomotives on Order

Railroads and private carlines had 99,896 new freight cars on order on May 1, as compared with 95,497 on April 1, 1947, according to the Association of American Railroads. Of the total number, the Class I railroads and railroad-owned private controlled refrigerator companies on May 1, 1947, had 93,622 new freight cars on order, which included 30,724 hopper (including 1,745 covered hoppers), 5,713 gondolas, 1,043 flat, 9,584 refrigerator, 526 stock, 318 miscellaneous freight cars and 45,714 box (including 40,934 plain and 4,780 automobile box cars). New freight cars on order by Class I railroads on April 1, last, were 87,080, and on May 1, 1946 totaled 39,708.

Of the total number of new freight cars which Class I railroads had on order on May 1, 20,353 will be built in railroad shops and 73,269 in outside shops.

The Class I railroads also had 662 locomotives on order May 1, this year, which included 36 steam, six electric and 620 Diesel locomotives. On May 1, 1946, they had 490 locomotives on order, which included 74 steam, six electric and 410 Diesel one year ago.

The Class I railroads put 11,348 new freight cars in service in the first four months of this year (of which 4,099 were installed in April). This included 3,313 hopper (including 516 covered hoppers), 1,592 gondolas, 567 refrigerator, 454 flat, 24 stock, 100 miscellaneous freight cars and 5,298 box cars (which included 3,788 plain and 1,510 automobile). New freight cars put in service in the first four months of 1946 totaled 11,115.

They also put 286 new locomotives in service in the first four months of 1947 of which 40 were steam and 246 were Diesel. New locomotives installed in the same period last year totaled 59 of which 29 were steam and 30 were Diesel.

Weekly Lumber Shipments 3.7% Below Production

According to the National Lumber Manufacturers Association, lumber shipments of 414 mills reporting to the National Lumber Trade Barometer were 3.7% below production for the week ending May 17, 1947. In the same week new orders of these mills were 10.5% below production. Unfilled order files of the reporting mills amounted to 72% of stocks. For reporting softwood mills, unfilled orders are equivalent to 26 days' production at the current rate, and gross stocks are equivalent to 34 days' production.

For the year-to-date, shipments of reporting identical mills were 8.6% above production; orders were 10.8% above production.

Compared to the average corresponding week of 1935-39, production of reporting mills was 20.6% above; shipments were 16.1% above; orders were 11.8% above. Compared to the corresponding week in 1946, production of reporting mills was 6.1% above; shipments were 1.8% above; and new orders were 17.2% below.

U. S.-So. Africa Air Pact

The United States concluded a bilateral air transport agreement of standard form with South Africa on May 23 through negotiations there, according to a State Department announcement, it was indicated in Washington advices May 23 to the New York "Times," which added:

Under it Pan American Airways will be authorized to serve Johannesburg by way of the Azores, and Capetown by way of Natal and Ascension Island.

Items About Banks, Trust Companies

Guaranty Trust Company of New York announced on May 26 the appointment of Arthur T. Peterson as Joint Manager of the Company's main London Office, 32 Lombard Street. Mr. Peterson has been associated with the bank's foreign organization for the last 20 years and has been Joint Manager of the Kingsway Office, London, since 1940.

The election of Robert K. Christenberry, President, director and General Manager of the Hotel Astor, as a director and Chairman of the Board of the Clinton Trust Co. at 57th St. and 10th Ave., New York, was announced on May 20 by Edward W. Smith, President, following a meeting of the board. The position of Chairman had been vacant since the death of William J. Waite in 1945. Mr. Christenberry became associated with the Hotel Astor in 1935 as Vice-President and General Manager and was elected President in 1944. Previously he had been actively engaged in the hotel business in Cleveland, Detroit, Pittsburgh and Peoria, and for a time was Deputy Hotel Commissioner of Florida. In November, 1945, following the close of the war, and again in the latter quarter of 1946, at the request of the War Department, he made a tour of inspection of all rest, recreation, hotel and food facilities in the American zone of occupation in Europe, recommending extensive changes in operations. Mr. Christenberry for the past six years has been President of the Broadway Association. He is a director of the Ritz Carlton Hotel and of the Hotel Association of New York. He is a member and past President of the Exchange Club.

In addition to its principal office at 57th Street and Tenth Avenue, Clinton Trust Company maintains an office in the McGraw Hill Building, 42nd Street near Eighth Avenue, New York. Organized in 1929 the company has devoted its interest to business organizations in the West Side area and has shown steady growth in resources which at present are in excess of $25,000,000.

Manufacturers Trust Company of New York announces the following promotions: Raymond C. Deering who has served the Manufacturers Trust Company since 1923 first as Assistant Secretary, then as Assistant Comptroller and most recently as Deputy Comptroller was elected Comptroller of the bank; Joseph M. Vollmer, who came to the bank in 1912, was promoted from Assistant Vice-President to Vice-President; William S. Vanek, who came to Manufacturer's Trust Company in 1928 was likewise advanced from Assistant Vice-President to Vice-President; Michael J. Burke, formerly with The Mortgage Corporation of New York which became a part of Manufacturers Trust Company in 1941, was also promoted from Assistant Vice-President to Vice-President; Ernest L. Hall, Assistant Secretary in the bank's Real Estate and Mortgage Management Department, was elected an Assistant Vice-President.

Manufacturers Trust Company of New York announces that it has opened two new branch offices in Queens County, namely, at 43-33 91st Place, Elmhurst, and 37-29 Junction Boulevard, Corona. This brings to 75 the number of branch offices of the bank in Manhattan, Brooklyn, Bronx and Queens. Andrew W. Orr will be in charge of the new Elmhurst Office and James J. Brennan will be in charge of the new Corona Office.

On Monday, May 26, the City Bank Club, the employees' club of The National City Bank of New York and City Bank Farmers Trust Company, presented a "Musical Jamboree" at the New York City Center Theater, 131 West 55th Street. Over 100 Citibankers took part in the performance. The show was followed by a dance in the Grand Ballroom of the Center Theater Casino.

The New York Agency at 67 Wall Street of the Standard Bank of South Africa Ltd. announces the receipt of the following advices by cablegram from the bank's Head Office in London, regarding the operations of this Bank for the year ended March 31, 1947:

"The Directors of The Standard Bank of South Africa Ltd., have resolved to recommend to the shareholders at the General Meeting to be held on July 23 next the payment of a final dividend of nine shillings per share together with a bonus of four shillings per share, both payable in British currency and subject to income tax at nine shillings in the pound, making a total distribution of 20% for the year ended March 31, 1947; to appropriate £75,000 to the writing down of Bank premises and £250,000 to the Officers Pension Fund, carrying forward a balance of £179,307. Bank's investments stand in the books at less than the market value as at March 31 last and all other usual and necessary provisions have been made. The Directors have decided to transfer £500,000 from Contingencies Account to the Officers Pension Fund.

"Transfer books will be closed from July 2nd to 15th, both dates inclusive."

Cable advices received by the New York agent of Barclays Bank (Dominion, Colonial and Overseas), state that the bank has declared interim dividends of 4% actual on the old A stock and on the A stock recently issued in exchange for 8% cumulative preference stock and on the B shares less income tax in each case at the standard rate of 9/- in the £. and payable on June 18, 1947. These dividends are for the period Oct. 1, 1946 to March 31, 1947. As already announced £2,146,000 A stock issued Jan. 15. 1947 does not rank for this interim dividend, but only for subsequent dividends.

Barclays Bank (Dominion, Colonial and Overseas) which is affiliated to Barclays Bank Limited, London, maintain branches overseas in South, East and West Africa, Egypt and the Sudan, Mediterranean, Palestine, the British West Indies, and also in Eritrea, Libya and Somalia.

The offices and directors of The National Bronx Bank of New York announce the opening of its new main office building on May 28, at 360 East 149th Street, Bronx, New York.

In commemoration of its 75th Anniversary, the Riverhead Savings Bank of Riverhead, N. Y., has issued in booklet form a short sketch of the early history, growth and present condition of the bank. The institution was organized on May 18, 1872, and, it is noted in the sketch that in 1922, in celebration of the 50th Anniversary, the bank's Secretary at that time, Otis G. Pike, prepared a history covering the half century period.

On April 1, 1922 the bank had deposits of $7,850,235, surplus and undivided profits of $1,690,654 and accounts of 10,721. On April 1, 1947 the deposits are shown as $25,335,751, the surplus, undivided profits and reserves as $3,045,022, with the number of accounts totaling 15,411. The present officers are George M. Burns, President; William A. AtLee, Vice-President and Comptroller; George H. Perkins and Robert P. Griffing, Vice-Presidents; Archibald D. Skidmore, Secretary; William M. Burns, Assistant Secretary; Albert A. Jewett, Assistant Vice-President and William T. Riley, Auditor.

Walter T. Collins of Hartford, Executive Vice-President of the Savings Banks Deposit Guaranty Fund of Conn., has been elected a Vice-President of the New Haven Savings Bank of New Haven, Conn., effective July 1, it was anounced on May 22 following a special meeting of the Board of Corporators. The New Haven "Register" in reporting this said in part:

For 14 years until 1940, Mr. Collins was asociated with Clinton Gilbert & Co., New York investment bankers, in sales and research work, and from 1940 to 1942 was with A. M. Kidder & Co., of New York, working in the bank and insurance investment field.

The Windham County National Bank of Danielson, Conn. increased its capital on May 9 from $225,000 to $250,000 by a stock dividend it is learned from a recent bulletin issued by the office of the Comptroller of the Currency.

The isuance of a charter on May 14 by the Comptroller of the Currency for the Fayette National Bank and Trust Company of Uniontown, Pa. was made known in the May 19 issue of the Comptroller's Bulletin. The capital consists of $200,000 of common stock. S. Ray Shelby and Howard B. Johnson, Jr. are President and Cashier respectively in the primary organization.

An increase of $100,000 in the capital of the Exchange National Bank of Chicago, Ill. by the sale of new stock raising it from $600,000 to $700,000 became effective May 13, according to the May 19 Bulletin of the Office of the Comptroller of the Currency.

The Gallatin County State Bank of Ridgway, Ill., a newly organized institution, opened for business and became a member of the Federal Reserve System on May 19, according to an announcement from the Federal Reserve Bank of St. Louis, which said:

"The new bank is succeeding to the business of the Gallatin County Bank, Ridgway, Ill. It has a capital of $50,000 and surplus of $25,000, and other capital funds of $25,000. Its total resources approximate $2,200,000. The bank's officers are, J. W. Karber, President; Arnold Valter, Vice-President; E. A. Hon, Cashier and Ruby F. Allen and W. S. Hall, Assistant Cashiers.

Edward R. Bradley has been appointed Assistant Trust Officer in the Trust Department of the Mercantile-Commerce Bank & Trust Company, St. Louis, Mo.

The Officers and Directors announce the death of Henry J. Coerver, President of the First National Bank of Arizona and Chairman of the Board of The Phoenix Savings Bank & Trust Co. on May 5.

Directors of the California Trust Company, Los Angeles, have elected F. K. Pollitt to the post of Assistant Trust Officer and named C. J. Fuglaar, Treasurer. J. T. Matushek and F. J. Boulton were elected Assistant Secretaries. G. F. Rennie was elevated to the office of Assistant Auditor.

ABA Opposes Liberalizing Land Bank Loans

Presents testimony to House Committee on Banking and Currency opposing giving authority to Federal Land Banks to increase margin on farm mortgages lending from 65% to 75% of value and making farm mortgage loans to city workers.

Proposals contained in H.R. 3330 to liberalize the powers of the Federal Land Banks to lend on farm mortgages were opposed by the American Bankers Association at a hearing held on May 16 by the House Committee on Banking and Currency. The bill would increase the authority to lend on farm mortgages from 65% to 75% of the appraised value of the farm and would perpetuate the Federal Farm Mortgage Corp. as a stand-by agency to make emergency farm mortgage loans if needed. It would also permit the making of "farm mortgage loans" to city workers, combining city business with rural living by taking their outside earnings—earnings of the farmer other than earnings produced by the farm—into consideration when appraising the loan, and would transfer to the Land Bank system $82,000,000 of the surplus in the hands of the Federal Farm Mortgage Corp.

The A.B.A.'s position was presented to the House Committee by John H. Crocker, Vice-President of the Citizens National Bank, Decatur, Illinois, who is a member of the A.B.A. Legislative Subcommittee on Agricultural Credit.

Mr. Crocker pointed out that the Federal Land Banks were created to become "farmer-owned and farmer-operated financial institutions to make long-term real estate loans to farmers on a sound basis. The American Bankers Association wants to see these institutions achieve and maintain that status but on a sound and businesslike basis," he said.

He stated that the proponents of the bill had already admitted that its provisions would result in high risk loans which would threaten the capital structure of the Land Banks. Therefore, he said they sought to put more government capital into the Land Bank system to meet anticipated losses, through the setting up of a reserve fund supplied from the surplus of the Federal Farm Mortgage Corporation.

Mr. Crocker stressed the emergency nature of the Federal Farm Mortgage Corporation to make loans for a period of two years from Feb. 1, 1934, to Feb. 1, 1936, and stated that instead of being allowed to expire when the emergency was over, the lending powers of the corporation were extended no less than seven times.

"It was recognized at the time the Federal Farm Mortgage Corporation was created that its 75% loans were rescue loans and would involve a greater amount of risk than would regular Land Bank loans. That they were rescue loans and did involve the extra risk was demonstrated by the fact that by 1938 more than 25% of them were delinquent and only the war boom bailed them out.

"In 1945," he said, "the Federal Land Banks sought and obtained an increase in the amount they could lend on a farm from 50% to 65% of its appraised value on the representation that if the Land Banks were permitted to make 65% loans, the Land Bank Commissioner loans made on behalf of the Federal Farm Mortgage Corporation could be permitted to lapse.

"In spite of the delinquency and in spite of the representations that the Land Bank Commissioner loans could and would be discontinued if the Land Banks were given permission to make 65% loans, this bill has now been introduced apparently to perpetuate this type of loan by increasing the limit on Land Bank loans from 65% to 75%," he declared.

"At the time the Federal Land Banks were established, they were authorized to make farm mortgage loans up to 50% of the value of the farm plus 20% of the insurable value of the buildings thereon. This figured out," Mr. Crocker said, "at 43% of the value of the farm as a whole. To increase the loans now to 75% would represent an increase of 72% from that figure which applied to Federal Land Bank loans made prior to the Farm Credit Act of 1945."

Mr. Crocker told the committee that "at a time when everybody is concerned about the boom taking place in farm land prices, it would seem unwise to pump into the farm land market such loose credit as is contemplated in this bill, which would further increase prices by creating more potential buyers to compete for farms through the use of such liberalized credit.

"This proposal to permit the Federal Land Banks to make 75% loans is a threat to the integrity of sound farm mortgage credit," he declared. "It is doubtful if appraisers can be expected to exercise judgment as to the normal agricultural value of farms without being influenced by the current trend in the prices of commodities and the selling price of land. Furthermore, if Land Banks are granted the privilege of making 75% loans on any appraisal basis, 75% will become the established practice and other lenders will seek the same privilege."

Mr. Crocker asserted that there were two purposes behind the bill, one being to enable the Land Banks to secure more mortgage loans in order to support their swollen organization. "Private business institutions which do not have access to government funds to take care of their deficits and must remain solvent or go out of business have to adjust their operations in such a way as to live within their income," he stated. "We do not see why government institutions and government sponsored agencies should not be subject to the same rules of sound business practice."

The other purpose of the bill, Mr. Crocker said, "is to secure for the Land Bank System approximately $82 million of surplus in the hands of the Federal Farm Mortgage Corporation which rightfully belongs to the taxpayers of the country. If it is necessary for the government to subsidize this insurance reserve fund to the extent of $82 million to meet anticipated losses from the operations of the Land Banks under the liberalized provisions of this bill, the Land Banks should not be authorized to make the high risk loans," he declared.

"In the face of the present tremendous government debt, the entire surplus of the Farm Mortgage Corporation should be returned to the Treasury to be used for debt retirement," he stated. "The proposed transfer of $82 million of the surplus of the Federal Farm Mortgage Corporation appears to be a device to avoid the necessity of obtaining the approval of the Appropriations Committee of Congress."

He urged that the Federal Farm Mortgage Corporation be dissolved and that all of its surplus fund as well as its capital be paid over to the Treasury "to be covered into miscellaneous receipts."